EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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NETHERLANDS
The spectre of racial tension
Page 2

World News

Mexican oil union leader arrested

Mexican troops arrested Joaquin Hernandez Galicia, leader of the oil workers and the most powerful union boss in the country, in the first major assertion of authority by President Carlos Salinas de Gortari's Government. Page 22; Inflation slows, Page 4

Crash investigation

Investigators into the British Midland air crash in central England on Sunday had found evidence of damage to only one of the stricken airliner's two engines, British Transport Secretary Paul Channon told Parliament. Page 22

Hitch in Afghan plan

Soviet ambassador Yuli Vorontsov said Moscow might keep its troops in Afghanistan beyond the February 15 deadline set in the Geneva peace accords, following failure to establish a broad-based government in Kabul. Background, Page 3

Bonn export moves

The West German Government announced proposals to tighten restrictions on exports of militarily sensitive goods, following controversy over illegal exports of nuclear technology and German companies' alleged role in construction of a Libyan chemical weapons plant. Page 2

Cubans quit Angola

The first Cuban troops flew home out of 50,000 being withdrawn from Angola under recent accords with South Africa. Picture, Page 3

Hungarian pull-out

Hungarian Defence Minister Ferenc Karpati said the Soviet Union would soon begin withdrawal of up to a quarter of its estimated 62,000 troops in the country. Political reforms debated, Page 2

Semtex trade ended

Czechoslovakia said it had stopped exporting Semtex, a plastic explosive Britain says is widely used by the Irish Republican Army and other guerrilla groups. Page 6

Iran, Syria meet

The Syrian President and Iranian Deputy Foreign Minister held talks in Damascus, aimed at ending recent fighting between Syrian- and Iranian-sponsored Lebanese Shia militias. Page 3

Emergency to end

Sri Lanka's President Ranasinghe Premadasa said the country's five-year-old state of emergency would not be renewed when it expires on Sunday. Page 3

Manley's comeback

A public opinion poll in Jamaica, where elections are due by April 10 at the latest, gave the socialist People's National Party, led by former Prime Minister Michael Manley, a 13-point lead over the ruling Jamaica Labour Party.

Montenegrins march

Tens of thousands of people demonstrated against the regional government in Montenegro, southern Yugoslavia. Page 2

Nato military chief

Norwegian chief of staff General Vigleik Eide was elected chairman of Nato's highest military authority, succeeding West German General Wolfgang Altenburg.

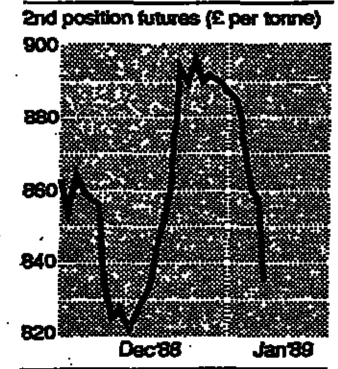
Business Summary

Sprinkel attacks policy on thrifts

PRESIDENT Reagan's chief economic adviser, Beryl Sprinkel, said Federal Savings and Loan Insurance Corporation was merely "postponing the day of reckoning" through recent private sector rescues of insolvent thrift institutions. Citing cost of restoring thrift industry to health at $100bn, he also recommended reduction in scope of deposit insurance to encourage prudence among depositors. Page 4

COCOA: Other EC members are expected to press France for more information on deal under which Sucres et Denrées, French trade house, bought 400,000 tonnes of cocoa from Ivory Coast. Prices continued to slide in run-up to next week's ICCO meeting, with London May contract shedding £24 ($43) to close at £835 a tonne. Commodities, Page 32

Cocoa
2nd position futures (£ per tonne)



SAUDI Arabia reaffirmed its position as world's pre-eminent oil power with increase in estimate for recoverable crude oil reserves of 51 per cent to 252.38bn barrels at end of 1988 – more than double those of nearest rival, Iraq. Page 22

BATTLE for control of Moët Hennessy – Louis Vuitton (LVMH), France's leading champagne, cognac and luxury products group, is approaching climax following offer by group chairman Alain Chevalier to resign. Page 23; Lex, Page 22

JAPAN'S Economic Planning Agency annual economic forecast predicts GNP growth of 4 per cent in real terms and 6 per cent drop in trade surplus to $88bn in fiscal year beginning April 1 1989. Page 3

GRAND Metropolitan, UK food, drinks and retailing group, announced it was in discussions with prospective purchasers of London Clubs, its gaming business, including casinos' own management. Page 23

SWEDISH Finance Minister Kjell-Olof Feldt presented first balanced budget since 1962. Key features include public sector wage increases of no more than 5 per cent and abolition of remaining foreign exchange controls. Page 2

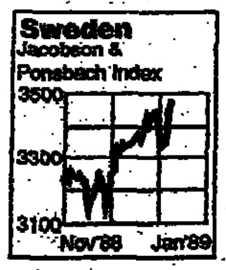
ACEC, depressed Belgian electrical engineering company controlled by Société Générale de Belgique, announced sale of majority stake in its industrial controls business to CGEE Alsthom, subsidiary of France's Compagnie Générale d'Electricité. Page 26

UNITED Distillers, spirits operation of UK's Guinness drinks group, has signed exclusive joint venture agreement with Jinro, South Korea's largest spirits company, to distribute its Scotch whisky brands in Korea. Page 27

FRANCE agreed FFr7bn ($1.1bn) credit package for Algeria which could pave way to resolution of long-running dispute over price paid for supplies of Algerian gas to France. Page 4

MARKETS

Sweden
Jacobson & Ponsbach Index



INTEREST RATES
US lunchtime
Federal Funds 9⅛% (9⅛)
3-mth Treasury Bills: yield: 8.59% (8.54)
Long Bond: 99 (99⅛) yield: 9.04% (9.02)
London
3-month interbank: close 13⅛% (13⅛)

STERLING
New York lunchtime
$1.7630 (1.7740)
London:
$1.7640 (1.7835)
DM3.2375 (3.2225)
FFr11.0325 (10.9875)
SFr2.7600 (2.7450)
Y222.75 (223.00)

DOLLAR
New York lunchtime
DM1.83725 (1.8205)
FFr6.2535 (6.19965)
SFr1.5670 (1.5570)
Y126.30 (125.45)
London:
DM1.8360 (1.8280)
FFr6.2550 (6.2300)
SFr1.5645 (1.5570)
Y126.30 (126.45)

GOLD
New York latest Comex Feb
$405.4 (406.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,191.61 (-7.85)
S&P Comp
279.95 (-1.03)
London:
FT-SE 100
1,836.0 (+4.5)
World:
140.58 (Mon)
Tokyo
Nikkei Ave
0
Frankfurt
Commerzbank
1,683.3 (+18.7)

OIL
Brent 15-day (Argus)
$16.125 (-1.75) (Feb)
West Tex Crude
$17.525 (-0.25) (Feb)

Gorbachev warns party of electoral responsibilities

MR Mikhail Gorbachev, the Soviet leader, yesterday launched the country's election process in earnest with a warning that the Communist Party could not rely on popular trust for ever, writes Quentin Peel in Moscow.

For the first time, the ruling party was to publish an election manifesto, seeking to justify its policies to electors, who would in turn be given a choice of candidates to vote for, he said.

Yet in the Central Committee itself, which yesterday was called on to nominate its own "golden list" of 100 party members for assured seats in the new Congress of People's Deputies, Mr Gorbachev's ruling Politburo submitted only 100 names – apparently reneging on his commitment to a multi-candidate choice.

The suspicion among political analysts was that the Soviet leader made the move to ensure the selection of his closest supporters in the country's perestroika reform process.

The plenary meeting of the Central Committee marked the first major hurdle in the election programme, in which the nominations at grass roots level are already well under way.

Mr Gorbachev used the occasion to warn the top ranks of the ruling party that they too would have to justify themselves before the electors.

The leaders of all the Communist Parties in the 15 union republics will have to stand for election at home – and only the national leadership looks set to get guaranteed seats in the future super-parliament.

Mr Gorbachev warned that in the election process, which culminates in polling on March 26, "group egotism, ambition and political careerism," as well as exploitation of rising nationalism were in evidence.

The future Congress of People's Deputies will have 2,250 members, 750 elected from constituencies of equal population, 750 divided among the 15 republics, regardless of population, and 750 from "social organisations" such as the Communist Party itself.

The real power, however, will lie in the Supreme Soviet, a standing parliament to be elected from the members of the congress.

Mr Gorbachev presented both the party manifesto – as yet unpublished – and the list of 100 pre-selected candidates, who were chosen by the Politburo from 312 names sent to the Central Committee, winnowed down from 31,500 submitted by grassroots party organisations.

The Soviet leader said the Communist Party had to bear "the whole brunt of responsibility before Soviet society for the destiny of socialism and of the country."

The party had "demonstrated great courage by assuming responsibility for the serious mistakes and blunders of past years," Mr Gorbachev added. This statement was aimed at reassuring many old-time party members who have been forced to denounce years of loyal membership.

Pakistan and Iran want deal on Afghanistan, Page 3

Prospect of GEC bid fades as STC wavers over joining Plessey

By Hugo Dixon and Clay Harris in London

THE prospect of a takeover bid being launched for Britain's General Electric Company appeared to recede yesterday as STC, one key to an offer going ahead, said it was unlikely to join a consortium led by Plessey, its fellow UK electronics group.

After an STC board meeting, Mr Arthur Walsh, chief executive, said there was "much less than a 50-50 chance" that his company would be involved.

STC was still interested in GEC's telecommunications business, he said, but it believed that proposals which had been discussed with other parties were not workable.

Scepticism about the structure of the consortium which Lazard Brothers, Plessey's merchant bank, is trying to put together was shared by General Electric. The US industrial giant owns parts of GEC but so far has failed to reach an accord with other potential bidders.

GE is said to be unlikely to join the consortium, because it believes it has little chance of success. It does not want to take part in a failed bid for GEC, as that would spoil the chance of future commercial relationships between the two companies.

Participation by GE could provide more cash to make the bid more palatable to GEC's shareholders, but Lazard has opposed too large a role for the US company in order to avoid accusations of a foreign carve-up. Mr John Welch, GE chief executive, arrived in London yesterday for talks in an effort to break the deadlock.

In other developments yesterday:

● GEC shares shed 1p to 220p, after nearly a 10 per cent rise on Monday. City analysts in general gave a cool reception to the probable outlines of a Plessey-led break-up bid. Most scepticism centred on the financing arrangements, although there were also questions about the industrial logic.

● The Office of Fair Trading delivered to Lord Young, Trade and Industry Secretary, its report on the joint £1.7bn ($3bn) bid for Plessey from GEC and Siemens of West Germany. A decision whether to refer the bid to the Monopolies and Mergers Commission may come before the end of the week.

Management at GPT, the GEC-Plessey telecommunications joint venture which would be sold to STC under the Lazard plan, is also believed to oppose this proposal on the grounds that the GEC-Siemens deal would be more likely to secure its future.

Joining with STC would reinforce its strength in the UK, but would fail to remedy its weakness in overseas markets. There would also be much less opportunity for sharing R&D costs than there would be under the GEC-Siemens proposal.

Mr Walsh said STC was still interested in GPT, but that "no proposal has been made to us that we are able to follow."

The company was wary for four reasons:

● It had yet to be convinced that the bid would come off. "We are trying to run a company. I don't want all our effort directed on to a mirage."

● The industrial logic of merging GPT and STC's telecommunications business had to be thought out.

● The price being asked. A price of up to £2bn is being sought for the whole of GPT.

● Worries about how STC would finance such a large acquisition, particularly since it does not want to be forced to sell key parts of its existing business. "I am not going to go into a garage sale," Mr Walsh said.

STC was still open to suggestions, but believed the initiative would have to come from elsewhere. "It is up to the guys who are taking the lead to progress it, not us."

The Lazard plan envisages a share offer for GEC by Metsun, a bid vehicle headed by Sir John Cuckney, chairman of the Westland helicopter group. This would be topped up with a cash element to be funded by distributing GEC's £1.4bn-plus "cash mountain" to shareholders.

The total could value GEC at £7bn, compared with a market capitalisation of £5.85bn at yesterday's closing price.

GEC's telecommunications interests would then be sold to STC, with its defence side, GEC Marconi, split between Plessey and Thomson, the French electronics group. The rest of GEC would continue under new management led by Sir John.

Philip Stephens, Political Editor, adds: In Parliament, Mrs Margaret Thatcher, the British Prime Minister, rejected calls from Mr Neil Kinnock, the opposition Labour leader, that the Government should immediately state its opposition to the proposed bid for GEC.

Mr Kinnock said the company's key role in Britain's defence meant it was essential that the Government was seen to oppose a takeover. The Prime Minister said it would be wrong for her to prejudge the the Office of Fair Trading's investigation. Mr Tim Sainsbury, the junior defence minister, similarly refused to be drawn on the implications, but he emphasised the Ministry of Defence's concern that there should be strong competition between defence suppliers.

Lex, Page 22; Background, Page 29

Lawson, Brady meet in shuttle of US contacts

By Peter Norman in London and Anthony Harris in Washington

MR NIGEL LAWSON, the UK Chancellor, flew to Washington yesterday for what was officially described as "a brief private meeting" to discuss international matters with Mr Nicholas Brady, the US Treasury Secretary.


Lawson: cool on G-7 meeting

The meeting, the first of a series of bilateral meetings between Mr Brady and finance ministers from the US's major trading partners, could lower the chances of finance ministers and central bank governors of the Group of Seven major industrial nations holding a special session before their next scheduled gathering in April.

Mr Lawson, who left again for London in the evening to chair today's meeting of the National Economic Development Council, has long been cool towards an early G7 meeting.

In Bonn, where Mr Gerhard Stoltenberg, the West German Finance Minister, was preparing to travel to Washington to meet Mr Brady and other senior US officials today, the Finance Ministry said an early G7 meeting was not high on Mr Stoltenberg's agenda for this week's talks.

Although the US supports the idea of a G7 meeting shortly after the inauguration of Mr George Bush as president on January 20, Mr Brady, who will be Treasury Secretary in the Bush Administration, will soon have met three of his G7 counterparts. Mr Tatsuo Murayama, Japan's recently appointed Finance Minister, is due to visit Washington later this month.

While central banks have been intervening to brake a strong upwards movement by the US dollar in recent days, British Treasury officials stressed there was no element of crisis behind Mr Lawson's brief visit to the US. His trip, accompanied by Sir Peter Middleton, permanent secretary to the Treasury, had been arranged before Christmas.

Though nothing was said officially about the discussions, the visit to Washington will have given Mr Lawson a chance to judge how serious the incoming US Administration is in its intention to reduce the US Budget deficit. Immediately after Mr Bush's election, Mr Lawson made clear that he viewed the deficit as a major problem because it represented a drain on world savings.

Mr Lawson was also expected to ask Mr Brady what if any plans the US had for international economic co-operation. The Chancellor is a keen

Continued on Page 22

Crusading New York City prosecutor resigns

By Roderick Oram in New York

MR Rudolph Giuliani resigned yesterday as New York City's federal prosecutor after a five-year crusade in which he won a string of convictions against many major criminals on Wall Street, in Mafia families, local political parties, unions and drug gangs.

He told a news conference that there would be no interruption in the Justice Department's work and that he was passing the task to the "very, very good hands" of Mr Benito Romano, one of his former deputies with wide experience tackling leaders of organised and white collar crime.

He refused to speculate on what he might do next.

Mr Giuliani said he was fulfilling a long-stated goal of moving on to other challenges and that he had achieved more as US Attorney for the city "than I ever anticipated." His legacy, he hoped, was "a somewhat more ethical and decent climate in business and politics."

His greatest successes in the business community came shortly before Christmas when Drexel Burnham Lambert, an investment bank, agreed to pay $650m in penalties and plead guilty to six felonies.

The case grew out of the the two-year investigation into the criminal activities of Mr Ivan Boesky, the takeover speculator

Mr Giuliani, 44, asserted repeatedly that he and Mr Dennison Young, his deputy who is leaving with him as planned, did not know what they would do next.

He was bombarded with questions about seeking election as mayor of New York in November because public opinion polls show he has some of the strongest support of any potential candidate. "I haven't shut the door on running for mayor or any other possibility," he replied.

Public support is ebbing from Mayor Ed Koch who has struggled during his third term to root out corruption among politicians and city workers and to face mounting social problems.

Besides practising law with Mr Young, Mr Giuliani said he would continue to play a role in public life. "Nothing is more important in a democracy than serving the government – at least for me there's no better way."

Prosecutor may turn to politics, Page 22

Unilever negotiating purchase of Fabergé toiletry interests

By Christopher Parkes in London and James Buchan in New York

UNILEVER, the Anglo-Dutch consumer products group, is negotiating to buy the personal products interests of Fabergé, a leading international manufacturer of cosmetics, toiletries and perfumes.

The package of assets and brands, which include Elizabeth Arden cosmetics, the Chloé and Fendi perfumes, Brut men's cologne and Aqua-net hairspray, is expected to fetch up to $2bn. Turnover in 1987 was $1.1bn.

Few details were revealed yesterday, when both companies restricted themselves to confirming that talks were at a preliminary stage, following a leak in New York on Monday.

Fabergé, which is owned by the family interests of Mr Meshulam Riklis, a 65-year-old Wall Street financier known for his deal-making skills, approached Unilever a few days ago.

Talks were expected to take several weeks, Unilever said.

A deal would give a considerable boost to Unilever's ambitions to play a leading rôle in the fast-growing world market for skin lotions and creams.

The purchase of Fabergé, which has several up-market brands in its portfolio, would also help the soup-to-soap multinational to grow in high added-value product sectors outside its traditional business in mass-market goods sold through supermarkets.

Unilever made its first substantial shift into skin care two years ago with the purchase of Chesebrough-Pond's, owner of the Vaseline and Pond's businesses.

Mr Riklis, who came to the US as an immigrant from Israel 30 years ago, has bought and sold businesses with dizzying speed to create a $3bn business empire.

The Elizabeth Arden cosmetics concern, with sales of almost $500m, was bought only a year ago from Eli Lilly for a reported $700m. "I'm sure this is just an investment to him," said Ms Lynne Hyman, an analyst at Prudential-Bache. "I don't think he's necessarily committed to the toiletries business."

CONTENTS

South Korea emerges as fully fledged economic giant

In 1985 South Korea had the fourth largest foreign debt in the developing world. Today, it is Asia's fastest growing newly industrialised country, now under the leadership of Roh Tae Woo (pictured left)
Page 3

Bonn to extend militarily sensitive exports list

By David Goodhart in Bonn

THE West German Government yesterday announced proposals to extend the list of countries for which exports of militarily sensitive goods must receive special licence, and plans to apply export controls on chemicals to German citizens operating outside the country.

These and other proposals, announced by Mr Helmut Haussmann, the new economics minister, are made in the wake of controversies over illegal exports of nuclear technology to India, Pakistan and South Africa and German companies' alleged role in the construction of a Libyan chemical weapons plant at Rabta.

They involve extending the reach of existing laws and improving the effectiveness of the export control bureaucracy.

However, Mr Haussmann stressed that without a "colosal" bureaucracy it would be impossible to control every export in a country which exports 1.2m items each month. He also emphasised the "ambivalence" of many products, and ruled out sectoral bans.

But Mr Lorenz Schomerus, director of the Foreign Trade Department of the Economics Ministry, for the first time admitted that following investigations into supplies to the Rabta plant, some German exports to Libya which had not sought licences were being blocked.

Mr Haussmann argued that, while there was room for improvement, Germany already had more effective controls than most countries.

Existing regulations, amendments to which will go through the cabinet in February, are the Foreign Trade Act; the War Weapons Control Act – which blocks the export of weapons to most non-Nato countries; the CoCom list – which restricts exports to the Eastern Bloc – and the initiative to control the export of certain chemicals.

The proposed amendments appear to be more than cosmetic although they still may not go far enough for the US. *Probably the least significant* is the doubling of fines for offences under the Foreign Trade Act, and increasing the maximum jail sentence from three to five years.

Increasing the number of countries for which special permission must be sought in many categories of export, in effect extending the CoCom list, should have some effect. Mr Haussmann would not say which countries will be included but Libya will presumably be one.

In the nuclear field, all companies producing sensitive material will have to register with the Economics Ministry.

Better co-ordination between ministries and the customs service might close some loopholes. It is not clear how far such co-ordination will be undermined by proposals for an EC open market.

Four hurdles remain at conference on chemical weapons

By Edward Mortimer in Paris

FOUR MAIN issues were still being thrashed out last night in a last-minute attempt to reach an agreed statement for today's closing session of the Paris conference on chemical weapons.

On all four the US was opposed to wording favoured by a group of Arab and non-aligned countries, with other states dividing differently in each case and seeking a compromise acceptable to both sides.

● The non-aligned wanted the conference to call for abandonment of the reservations entered by many states when they adhered to the 1925 Geneva protocol banning the use of chemical weapons – reservations allowing them to *retaliate in kind* if such weapons are used against them.

Western countries, supported by the Soviet Union, argue that this raises complex legal issues which cannot be settled in a political conference, and that the best way to get rid of such reservations is to expedite the negotiation of a convention banning all production and storage of such weapons worldwide.

● The non-aligned, supported by the Soviet Union and some Western countries, want the conference to set specific guidelines and deadlines for the conclusion of the world-wide ban, which is being negotiated at the UN Disarmament Conference in Geneva.

The US, supported by Britain, suggests that such details may be unrealistic, given the great complexity of the issues still to be resolved, especially those concerning verification.

● The US insists on a reference to the dangers of proliferation of chemical weapons and on detailed language prescribing controls on the export of "precursors" – substances which can be used to manufacture such weapons, but also have peaceful applications. On this, non-aligned countries argue that it is equally important to condemn "vertical" proliferation – the development of more sophisticated "binary" weapons, primarily by the US.

● Non-aligned countries also want to link chemical to nuclear disarmament, at least implicitly, by including language from the concluding document of the first UN special session on disarmament in 1978 which was adopted by consensus. That document was acceptable to the Carter Administration at the time, but is regarded as out of date by the present US Government. On this issue, however, the US is almost completely isolated and seems likely to have to give way.

Nato move on CSCE deadlock

By Judy Dempsey in Vienna

NATO DIPLOMATS were trying last night to break the deadlock between Greece and Turkey over what area of the latter country should be excluded from any future talks on reducing conventional weapons.

Unless the impasse is resolved today, several diplomats are suggesting that the conclusion next week of the European security talks in Vienna *could be postponed*.

Foreign ministers from the 35 participating nations of the Conference on Security and Co-operation in Europe are due in Vienna to adopt between January 17-19 a final CSCE document providing for new arms talks.

US officials in Washington said they knew of no change in the plans of Mr George Shultz, the Secretary of State, to attend the final CSCE session next week. His visit to Vienna would be his last trip as Secretary of State.

The disagreement is due to Greece's insistence that the Turkish port of Mersin, the main transportation centre for northern Cyprus, be included in the arms reductions talks. Moscow last week acceded to Ankara's demands that it and other parts of eastern Turkey be excluded.

But its stance has now delayed agreement on the mandate for new Conventional Stability Talks (CST), which groups the 16 Nato and seven Warsaw Pact nations and which, in terms of timetables, should have been ready by yesterday. Once agreed, the mandate will be annexed to the final draft document of the CSCE and accepted.

Greece's objections have so far received an equally uncompromising response from Ankara. Mr Mesut Yilmaz, the Turkish Foreign Minister, yesterday said "it was impossible to understand Greece."

● The Greek Government reacted sharply yesterday to a move by Ankara incorporating a chain of Greek islands in the eastern Aegean and the Turk*ish-occupied northern sector of* Cyprus in Turkey's zone of responsibility for research and rescue operations. The boundaries of the zone were set in a law published in the Government Gazette on January 7.

Swedish budget curbs pay in public sector

By Robert Taylor in Stockholm

PUBLIC SECTOR wage increases of no more than 5 per cent and the promise of abolition of Sweden's remaining foreign exchange controls are two of the most important propos*als in the country's 1989 budget* presented yesterday by Mr Kjell-Olof Feldt, the Finance Minister.

Presenting Sweden's first balanced budget since 1962, Mr Feldt said the Government would keep tight control of its spending programmes, ensuring that the real increase in public spending (excluding debt interest payments) would not exceed 0.3 per cent.

Top priority would be given to an extension of paid leave from 12 to 18 months for working parents with babies; spending on culture with a three-year SKr300m (£27.3m) programme; and a 3 per cent cut in income tax for those earning more than SKr85,000 a year as the first step in a radical tax reform plan.

Mr Feldt added that other spending priorities would be measures to improve the environment, help handicapped *people and prepare for the creation* of the Europeam Community's single internal market by 1992.

He has already aroused widespread fury in Sweden's schools and in the mass media with the informed leak last weekend about his intention to cut the budget allocation for teacher's salaries by 1 per cent.

In his presentation of the budget *Mr Feldt* warned that the current levels of wage and price increases were "incompatible" with the balanced economy he was trying to maintain. This year prices have gone up by 6 per cent and earnings by 7.5 per cent, far higher than most of the country's industrial competitors.

The Finance Ministry's own forecast suggests that wages will increase by 7 per cent this year and prices by just under 6 per cent.

However, Mr Feldt made it *clear yesterday that he intends* to try to limit public sector pay rises to no more than 5 per cent. "If increases go above that figure they will have to be paid for through higher productivity," he argues in his budget survey.

But the leaders of Sweden's public sector unions said they would be demanding at least 7 per cent for their members in central government service in this year's wage round, which begins on 19 January. They would not be taking any notice of Mr Feldt's guidelines. Last year he tried vainly to limit rises to 4 per cent.

Mr Stig Malm, head of the blue-collar worker organisation LO, said public sector workers were not second class citizens and political decisions should not override the wage bargaining system.

No specific details were released yesterday about the *further liberalisation* of Sweden's foreign exchange regulations. However, Mr Feldt said in his budget *statement* that "in all essentials" the remaining controls "should be abolished," with legislation maintained "only for emergency situations."

The Finance Ministry expects the economy will grow by 1.7 per cent, compared with 2.8 per cent in 1988, and the current account deficit to climb from SKr10.4bn to SKr14.1bn. The trade balance is expected to remain high at SKr25.6bn compared with SKr25.0bn. Unemployment should remain at 1.6 per cent.

Exchange controls to go, Page 33

Fiat denies accusations over unions

By John Wyles in Rome

THE FIAT group yesterday *flatly rejected* as "*without foundation*" allegations by the trade unions and the Italian Communist Party that it is systematically trampling on workers' rights to belong to a union.

Against a crescendo of allegations and a determined Communist Party attempt to involve President Francesco Cossiga in the controversy, Fiat said its own internal checks had failed to provide any evidence that individual managers were discriminating against union members or trying to induce them to tear up their union cards.

Stressing that Fiat regarded workers' rights as extremely important, Mr Cesare Annibaldi, director of external relations, said the company was anxious to develop a constructive approach to factory relations.

"Fiat has never harmed nor reduced the rights of citizen workers. As far as recently reported episodes are concerned . . . there has never been any discrimination against union members.

"Our own investigations have found no truth in accusations of intimidation and blackmail," said Mr Annibaldi, who cited the start of legal action by a manager accused of offering a worker promotion in return for his withdrawal from a union.

Referring to the Alfa Lancia plant at Arese near Milan, the seat of many of the original allegations, Mr Annibaldi pointed to Fiat's efforts to turn around the fortunes of the former Alfa Romeo.

He indicated that "certain political and union quarters" had always been hostile to Fiat's acquisition of the former state-owned company.

Mr Annibaldi's unequivocal rejection of the charges against the company is a clear challenge to the Communist Party and the unions to push their campaign further.

He welcomed the Ministry of Labour's investigations into the allegation as "absolutely correct" and awaited its report, due late this week.

Determined to promote the affair as a serious political issue, Mr Achille Occhetto, the Communist leader, is due to present a dossier of allegations to Mr Cossiga today, and Mr Annibaldi and union leaders will give evidence to a Senate committee tomorrow.

Teachers learn lesson of spending cuts

By Sara Webb in Stockholm

WHEN Swedish children returned to school this week, few had expected that almost the first lesson they would learn was that the Finance Minister proposed to cut education spending in an effort to improve efficiency.

In the run-up to the general election last September, the Prime Minister, Mr Ingvar Carlsson, a former Education Minister himself, had promised more resources for schools to improve conditions and invest in the future.

Yet in yesterday's budget statement, Mr Kjell-Olof Feldt, the Finance Minister, said the budget for teachers' salaries would be cut by 1 per cent or SKr170m (£15.5m) to compensate for the fact that their wages had increased by more than the 5.6 per cent limit set by parliament – a move described as "a slap in the face to both teacher and pupils" by Ms Solveig Paulsson, chairwoman of the teachers' union.

In Sweden, the government education budget covers teachers' salaries while the municipalities pay for the books, meals and renovation of buildings from local taxes.

The cuts in government spending, leaked to the press on Sunday, have aroused a storm of protest in the media and among politicians of all hues, bringing to light aspects of the Swedish education system which seldom surface.

Teachers and pupils complain about bad conditions, and out-of-date books and equipment such as wall maps dating from the 1920s.

Morale is already low among teachers, who are badly-paid by Swedish standards at SKr8,000-SKr12,000 a month (before tax). With Sweden's low unemployment, schools say it is hard to attract good, qualified teachers as many would rather earn more money in the private sector. A recent report said a third of teachers in some areas lacked formal training and that the number of teachers without proper training increased by 20 per cent last year.

The teachers' union was quick to point out that by spending less on education, the Government would open the way for more violence in the classroom. In the past year, there have been cases of teachers injured by students. One teacher, in trying to prevent disruption in the classroom, resorted to violence himself – and in a society where parents are forbidden to spank their offspring and where children are encouraged to report parents who do, the teacher in this case was fined by the Supreme Court for using unnecessary violence.

Meanwhile, parents often complain of falling standards and a lax attitude to homework. Expressen, the largest circulation evening paper, conducted a phone-in, in which thousands of parents and children protested against the proposed cuts, while students presented their complaints with an orderly demonstration outside the Education department yesterday.

Schools boast on average nine teachers for every 100 pupils, although classes generally consist of about 25 pupils. The teachers' union warned that classes would have to be increased to around 30.

Yet in international comparisons, the Swedish system performs well. Sweden spends more than 8 per cent of its gross national product on education and pupils score well in science, technology, literature, languages and geography.

Key devolution measures approved in Belgium

By Tim Dickson in Brussels

MR WILFRIED MARTENS, Belgium's evergreen Prime Minister, was yesterday celebrating the completion of another key stage in towards more devolved government.

There was palpable relief in government circles after Monday's overwhelming vote in Parliament enacting the so-called second phase of state reform – *essentially* the transfer of financial resources from central to regional authorities, the creation after an 18-year political battle of a new Brussels regional government, and the setting up of a special court to deal with the constitutional conflicts expected to erupt over the next few months.

The latest reforms, whose endorsement by the Senate next Monday is considered a formality, follow October's agreement to transfer competences covering more than one third of what is now the central budget to the regional governments of Flanders, Wallonia and Brussels, and to the Flemish and francophone communities.

The main functions include education, infrastructure and communications, and large areas of research.

The devolution approach, painfully constructed by the centre-left Government which came to power last May, is designed to bring harmony to a country dogged by linguistic divisions.

The conflict has long been symbolised by the figure of Mr Jose Happart, the francophone ex-mayor of Les Fourons (or Voeren) whose refusal to take a test in Dutch effectively brought Mr Martens' previous Government to its knees.

He remains a potentially destabilising factor but his surprise decision after Christmas not to put himself forward as mayor averted what many *feared could be a new crisis*.

Yet Mr Martens' hope for an end to the sleepless nights of the past three years may be dashed if another deep division in his coalition worsens in the next few weeks.

The threat this time comes from another, equally unlikely quarter, the country's abortion laws, and could open a damaging split between the dominant Christian Democrat parties (notably the Flemish-speaking CVP) and their Socialist partners in the five-party coalition.

All abortions are forbidden under a 19th century law. Several attempts have been made over the past 20 years to introduce more liberal legislation – not least because the law is widely flouted – but they have been defeated by the Catholic-influenced parties.

The coalition partners who signed the government programme last May agreed not to discuss the issue for six months. This time limit has now passed and a new bill sponsored by Socialist opposition and Liberal senators is already being met with a defiant response by senior figures in the CVP.

Protests erupt again in Montenegro

By Aleksandar Lebl in Belgrade

SOME 30,000 workers and students in Titograd, the capital of Montenegro, the smallest Yugoslavian republic, staged a rally yesterday in a fresh effort to topple the local leadership.

They demanded higher wages and the irrevocable resignation of senior figures in the republic's government and Communist Party praesidium. They also want Montenegro's representatives in Yugoslavia's state presidency and in the national party leadership to step down.

It was the first serious outbreak of unrest since Mr Branko Mikulic, the Yugoslav Prime Minister, resigned last month. The country faces 250 per cent inflation, a debt problem and ethnic tension.

This is the second attempt of dissatisfied workers and students to get rid of Montenegro's leadership. Last October, police used force to disperse participants in a similar protest. During those disturbances, Montenegrin leaders won the support of the federal party praesidium; national leaders have not pronounced on the current trouble.

Organisers of yesterday's rally are not hiding their sympathies for the powerful Serbian party leader, Mr Slobodan Milosevic, himself of Montenegrin extraction. Growing support for him in street demonstrations has alarmed the leaders of Yugoslavia's other republics, which fear Mr Milosevic could become too powerful to be stopped in his drive to reshape the country.

Jail threat to Armenian nationalists

By Quentin Peel in Moscow

MOST OF the members of the Karabakh committee, the leaders of the Armenian nationalist movement, are facing up to three years in jail for public order offences, according to dissidents in Moscow.

As many as 10 of the 11 members are believed to have been charged on Monday, the date by which at least half should have been released after serving 30 days of "administrative detention."

The entire membership of the committee, regarded by many as political moderates in the furious nationalism which has enveloped Armenia over the past year, had been detained by last Saturday.

The most distinguished, Academician Rafael Kazaryan, was reported to have received only five days' detention.

The ruling politburo is today due to bring together the Communist Party leaders from Armenia and neighbouring Azerbaijan in a bid to settle their dispute over Nagorno-Karabakh, an Armenian-populated enclave of Azerbaijan.

The dissidents said they did not know how many other people had been charged.

● Italy's biggest bank is to accord the Soviet Union a $100m loan aimed at helping to rebuild earthquake-ravaged Armenia, Alan Friedman writes from Milan.

Mr Nerio Nesi, chairman of the Banca Nazionale del Lavoro, yesterday announced the credit line to Vneshecombank, the Soviet bank for economic affairs, as a "gesture of solidarity".

In Rome, an aide to Mr Nesi said he could not disclose the terms of the loan except to say that it was a medium-term bank-to-bank credit with a subsidised rate of interest.

Dutch economic pressures raise prospect of racial tension

The country's renowned tolerance of minorities is slowly ebbing away, writes **Laura Raun** in Amsterdam

IN A COUNTRY as reputed for tolerance as the Netherlands, ethnic minorities ought to be treated well; and they are, in terms of welfare benefits.

But, with high unemployment and little political power, they remain dangerously isolated in a society which has yet to come to grips truly with racial diversity. Critics worry that the Netherlands could face racial upheaval – perhaps even religious ferment – unless minorities are more fully integrated.

"This is not a picture of polarisation of society but a deepening of the social chasm between working and unemployed," says Mr R.S. Gowricharn, head of Rotterdam's municipal social services department. "Under these conditions the danger of racial explosion is not imaginary." A mixture of political fatigue, economic austerity and social ennui is threatening an impasse in minorities policy at a crucial time.

At the start of next year border formalities will end between the Benelux countries, France and West Germany under the Schengen accord, designed to ease border controls for people and goods, in the spirit of the Single European Act.

A clear policy on immigration and residence is vital in a country with a welfare state as lavish as the Dutch one. Poverty has been virtually eliminated and nearly everyone, whatever his ethnic origins, has decent food, shelter and clothing.

But dwindling riches from natural gas and soaring state debt mean austerity must continue. Forecasts that social welfare for foreigners will cost more than Fl 5bn(£1.4bn) in 1992 are of great concern.

The Dutch have welcomed foreigners for centuries, embracing Jews, Huguenots and heretics through the centuries. Discrimination and racism are usually more subtle than in many societies, springing more from a desire for uniformity than a sense of superiority.

But ethnic minorities are a comparatively young problem, commanding no serious attention until militant South Moluccans hijacked a train in 1975 and executed a hostage.

Third World immigrants began arriving in large numbers only in the mid-1970s when guest-workers from Mediterranean countries were invited to fill vacant jobs and Surinamese flooded in from the former Dutch colony.

A cultural *time bomb was ticking* but the Government did not hear it. The Hague believed that guest-workers, as their name implied, would go home when the economic boom faded. Instead they stayed and brought their families.

Today Third World immigrants make up about 4 per cent of the population, a smaller percentage than in many European countries but a wider mix of nationalities. Turks, Moroccans and Surinamese are the biggest groups.

By the year 2000 the proportion of Third World immigrants could grow to 6 per cent, according to the Netherlands' inter-university Institute for Demographics.

An official policy was not formulated until 1983, aiming to give minorities rights equal to those of nationals "as much as possible," including voting in local elections. It also sought to combat discrimination, ensure access to the welfare state and preserve ethnic cultures.

But it clearly lacked a commitment to integrating minorities into the fabric of Dutch society. School *lessons in native languages, for* example, meant that many students never mastered Dutch.

Unemployment among ethnic groups has not fallen below 40 per cent in years – three times the national level. Jobs such as night shopkeepers and street vendors that are traditional entrées to the UK or US labour markets are nearly closed off by a maze of bureaucratic permits and tacit opposition by labour unions and trade associations.

Of 150 MPs only one is of Indonesian descent and there are virtually no minorities in top business and banking circles.

More than three-quarters of the 600,000 Third World immigrants are crammed into the already crowded western corridor of the Netherlands. In Amsterdam, half the babies born have a foreign mother or father and half the schoolchildren are immigrants.

Mr Ruud Lubbers, the Prime Minister, has publicly admitted that the minorities policy is bogged down. Gone are the days when the gener*ous welfare state could* provide immigrants with Dutch language lessons, cooking classes and sight-seeing trips.

Now the centre-right Government is seeking to trim child benefits, old-age pensions, widows' and orphans' benefits and unemployment payments to foreigners living abroad, and to halt sickness and disability benefits altogether because they are funded by workers.

About 85 per cent of Dutchmen would like to see a *tighter immigration* policy, up from 75 per cent in 1981, according to a study released in June which concluded that tolerance is slowly ebbing away.

Under a new policy announced last May, about 5,000 Surinamese face deportation when their temporary residence permits end. A repatriation scheme for older guest-workers and a tighter admissions policy for refugees were adopted last year. The Lubbers administration is now drafting a new aliens bill that would tighten criteria for residence.

Mr Hans Dijkstal, an MP who chairs the standing committee on minorities, simply believes racial *discrimination* is at the root of the problem.

"The 60 per cent unemployment seen in some minority groups is higher than can be explained by lack of training and education," he asserts.

But Mr Mohammed Rabbae, head of the Netherlands Centre for Foreigners, insists that equal legal rights are more important than equal treatment laws.

He wants a kind of Dutch citizenship without the nationality, including the right to vote in general elections. "If I have equal rights then I am in a much stronger position to get training, a job and then I can defend myself against discrimination," he explains.

"Either we have equal rights or we don't and there shouldn't be this language of 'as much as possible.'"

Hit by austerity, sceptical Hungarians await political reform

By Leslie Colitt in Berlin

LAWS guaranteeing the rights of assembly and association, which will lay the foundation for contending political parties, are expected to be approved by the current session of Hungary's Parliament, which began yesterday.

They are an important step in the Communist Party's programme to democratise political institutions while pressing economic reforms.

Increasingly, however, political reforms are meeting scepticism from Hungarians hit hard by the Government's economic austerity measures. Prices for food were raised by an average of 17 per cent this week, while car prices went up between 13 and 38 per cent. The cost of medicines rose 80 per cent, train fares went up 30 per cent and telephone and television charges soared.

The hard-pressed Government of the new Prime Minister, Mr Miklos Nemeth, insisted the price rises were unavoidable. State subsidies had to be slashed to combat the budget deficit. Hungary's state trade unions replied that they could not rule out work stoppages in protest against the increases.

Plunging living standards have given economic reforms a bad name in Hungary. They have also provided grist to the mill of the conservative leaders in East Germany and Czechoslovakia, who oppose market-oriented reforms.

Real wages last year dropped 8.5 per cent, to the level of 1973, according to the party newspaper Nepszabadsag. Inflation of 17 per cent is expected to be repeated this year. The Government said the austerity plan was necessary to curb Hungary's gross foreign debt, which stood at $16.6bn (£9.4bn) last September.

However the economic austerity has bitten deep among families with children and pensioners in a country where, according to data quoted this week on Hungarian television, 18 per cent of the population lived below the subsistence level in 1987.

The law on association which was expected to be adopted by Parliament gives Hungarians the right to set up independent political organisations, trade unions and other interest groups. Another law, to be passed this year or next, is to provide the basis for establishing political parties under a new constitution.

But remarks last year by senior party officials that this would lead to a multi-party system have been considerably watered down.

Even a leading reformer in the Politburo, Mr Imre Pozsgay, appeared to qualify his earlier enthusiastic support for the multi-party system. In an address to intellectuals this week in Kaposvar, he said the fact that a single party had been in power for 40 years could not be disregarded.

Political conditions for a multi-party system were "lacking" and could only be created through "gradual development", Mr Pozsgay argued.

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OVERSEAS NEWS

Pakistan and Iran want Afghan deal, says Vorontsov

By Quentin Peel in Moscow

PAKISTAN and Iran are both in favour of a political settlement to end the Afghan civil war, Mr Yuli Vorontsov, the Soviet Union's top peace negotiator, said yesterday.

He expressed the conviction that in spite of abortive negotiations with guerrilla leaders in Islamabad last week, "prospects of a political settlement are quite realistic". A key element was the support from both neighbouring states, the hosts to the two guerrilla alliances fighting the Soviet-backed Afghan Government.

However, Mr Vorontsov warned that a complete Soviet troop withdrawal by February 15, the deadline set by last year's Geneva agreement, could not be taken for granted. Any "extension of the war effort" by the opposition forces would "not help solve the final withdrawal of Soviet troops from Afghanistan," he said.

Mr Vorontsov, the Soviet first deputy Foreign Minister, and ambassador to Kabul, was speaking on his return to Moscow from an exhaustive round of negotiations with the opposition groups in both Tehran and Islamabad, the former Afghan King Muhammad Zahir Shah, and leaders of the governments in both Iran and Pakistan.

He spelt out the Soviet hope that a consultative council could be summoned as an "intermediary body", in which all the Afghan groups would be represented.

He insisted that all groups, including the Afghan Government, must be part of such a solution – contrary to the demand of the opposition groups that they will not accept any solution involving President Najibullah.

The Soviet envoy insisted that he was merely acting as an intermediary between the opposition groups – the Alliance of Seven in Pakistan, and the Alliance of Eight in Iran – and the Afghan Government, and that his meetings had been "talks, not negotiations".

However, the Soviet Union is obviously increasingly anxious to obtain any acceptable solution, setting up a broad-based coalition government, to enable its dignified withdrawal.

Robin Pauley, Asia Editor, adds: All sides including Mr Vorontsov are now engaged in heavy tactical diplomacy. The threat to miss the February 15 deadline for the full Soviet withdrawal is part of this process and is unlikely to be meaningful as the international and domestic criticism which would rain on the Soviet Government for a failure to leave on time would be considerable.

However, Mr Vorontsov is making very little headway with the main guerrilla alliance and has only a few more days in which he can realistically exert pressure: Moscow calculates it needs four weeks to complete the final withdrawal.

Mr Vorontsov's key difficulty is that the guerrilla leaders have so far shown no willingness to compromise over the Soviet demands to include the Kabul Government in the broad-based council to consider the future shape of Afghanistan's administration.

Tokyo expects economy to grow by 4%

By Ian Rodger in Tokyo

THE Japanese Government has committed itself to another year of strong domestic economic growth and efforts to reduce its bloated trade surpluses.

The Government's Economic Planning Agency (EPA) annual economic forecast predicts gross national product (GNP) growth of 4 per cent in real terms and a 6 per cent reduction in the trade surplus to $88bn (£50bn) in the fiscal year beginning April 1, 1989.

The EPA's forecast, unlike that of other agencies, carries considerable weight in Japan because it is used in the compilation of government budgets and is recognised as an economic policy statement by the Government. It emerges only after much debate among the Government's economic ministries and in the Cabinet.

JAPAN SINCE THE PLAZA ACCORD

	FY '86	1987	1988*	1989*
Real GNP growth (%)	2.6	4.9	4.9	4
Current account balance ($bn)	94.14	84.5	78	71
Trade surplus ($bn)	101.65	94.03	93	88

*Official forecast

The implication is that if, for example, an external economic slump started dragging down Japan's GNP growth, the Government would take whatever fiscal and monetary steps were necessary to adhere to its target. Government officials said at the weekend that they would if necessary act to minimise the impact of Emperor Hirohito's death on the economy in the next few months.

Officials pointed out that the 4 per cent GNP growth target, which compares with an estimated 4.9 per cent growth rate in the current fiscal year, will probably be the highest among Organisation for Economic Co-operation and Development countries this year.

The EPA forecasts that the domestic economy will grow by 4.7 per cent while the contribution from external demand will decline by 0.7 per cent as a result of the falling trade surplus. Officials said this underlined the Government's continuing commitment to contribute to the health of the international economy by maintaining strong domestic demand.

However, it also recognises that the process of reducing the trade balance has slowed because Japan's exports are picking up despite the high value of the yen. In the current fiscal year, the EPA expects that domestic demand will grow by 5.6 per cent, but that external demand will drop by 1.6 per cent.

There has been considerable controversy in recent weeks about the direction of the trade surplus, with some economists, including the OECD's, fearing that it will increase again in the next few months.

The current account surplus is expected to drop more rapidly, thanks in part to the explosion of Japanese overseas tourism. The EPA forecasts that the current account surplus will drop to $71bn in fiscal 1989-90 compared with an estimated $78bn in the current year.

Nominal GNP is forecast to grow by 5.2 per cent in fiscal 1989-90, implying a minimal inflation rate of 1.2 per cent. Some private sector economists are worried that inflation may increase this year, partly because of the planned introduction of a value added tax in April and an expected strong spring wage offensive from trades unions. However, the Government has ways of cooling important prices, as it showed this week when it indicated it would cut the consumer price of rice by 3.7 per cent this year.

Private sector economists are, on the whole, slightly more optimistic than the EPA, giving forecasts of real economic growth of between 4 and 5 per cent for the next fiscal year.

Hirohito funeral to cost Y6.68bn

THE Japanese Government yesterday announced that it would allocate Y6.68bn (£30m) for a funeral and mausoleum for the late Emperor Hirohito, AP reports from Tokyo.

The amount was approved during the morning Cabinet meeting, Mr Kichiro Tazawa, the chief of the Defence Agency, said in a briefing. He said the amount will include Y3.2bn in expenses for the formal state funeral on February 24.

Another Y2.4bn will be spent on security during the funeral, to be held at Tokyo's 148-acre Shinjuku Gyoen Imperial Gardens. Representatives of more than 100 countries, including Mr George Bush, US President-elect, are expected to attend.

The National Police Agency will mobilise more than 30,000 police to ensure the safety of visiting foreign dignitaries and to ward off any disruptive actions by extremists, Mr Shigenobu Sakano, chairman of the National Safety Commission, said at the Cabinet meeting.

Mr Tazawa said some Y1.8bn will be allotted to constructing the late emperor's mausoleum in Hachioji.

Takeshita for US

Mr Noboru Takeshita, Japan's Prime Minister is likely to visit the US early next month for talks with Mr George Bush, who by then will be US President, a Foreign Ministry official said, Reuter reports from Tokyo. The trip was originally planned for early January, but was cancelled because of the declining health of Emperor Hirohito.

HK watch-dog plan

Legislation to set up a new Securities and Futures Commission in Hong Kong as a watch-dog for the colony's financial markets was approved yesterday by the Government's advisory executive council and is to be published in the form of a bill later this week, John Elliott writes from Hong Kong.

The Government's proposals have been attacked by Hong Kong's stock exchange and by international as well as local brokers. They argue that its powers are too wide-ranging and that it will cost too much money to operate. Efforts will be made by these groups to have the Bill watered down when it is debated later this month in the colony's Legislative Council.

China export record

Chinese exports were $40.1bn in 1988, setting a record and exceeding official targets by several billion dollars, AP reports from Peking.

The People's Daily yesterday reported preliminary figures released by the Ministry of Foreign Economic Relations, showing nearly 70 per cent of exports were industrial finished products. The preliminary export total was up more than 16 per cent from 1987's $34.6bn. The ministry said import figures had not been compiled yet.

Personal deposits up

Personal foreign exchange deposits in the Bank of China at end-1988 were $1.2bn, up from $640m a year earlier, the China Daily said, Reuter reports from Peking. It said such deposits grew rapidly in the second half of last year, because of higher interest rates, better bank services and people changing Chinese currency on the black market.

Taiwan investments

The Taiwanese government approved $1.18bn of foreign investments last year, a 17 per cent drop from 1987, mainly because of a sharp decline in US investment, an official commission reported yesterday, AP-DJ writes from Taipei.

Japan led with $445m in investment, up 3 per cent from 1987, the Investment Commission said. The US followed with $161m, down from its record investment of $446m in 1987. Hong Kong poured in $157m worth of investments, a 13 per cent drop from 1987.

Thai prices fall

Thailand's consumer price index, based on 1976, fell 0.2 per cent to 212.9 in December after a 0.3 per cent decline in November, the Business Economics Department said, Reuter writes from Bangkok. It said the CPI year-on-year increase was 3.1 per cent in December against 3.4 per cent the previous month and 3.7 per cent a year ago.

The December producer price index, same base, also fell 0.5 per cent to 195 after a similar 0.5 per cent decline in November. It rose 4 per cent year-on-year after 4.4 per cent growth in November and 11.3 per cent growth a year ago.

Bhutto to face heroin challenge

By Christina Lamb in Islamabad

MS BENAZIR Bhutto, Pakistan's new Prime Minister, yesterday arrived in Saudi Arabia for her first foreign trip since taking office early last month.

She is in the holy city of Mecca on a private pilgrimage, along with her husband and nearly 100 party workers. Her first official trip will be to China in March.

Ms Bhutto returns to Islamabad tomorrow to face what US officials are calling her first real test in office. Pakistan is one of the world's largest suppliers of heroin and before being nominated as premier, Ms Bhutto assured the US that she would take a tough stance on narcotics.

Anxious not to jeopardise American aid, of which Pakistan is the third-largest recipient, she has since reiterated this, even considering setting up a Ministry of Narcotics.

The US State Department has taken her at her word and sent a cropduster plane carrying enough chemicals to destroy the country's entire poppy crop, which conservative estimates put at 18,000 acres.

Most of the poppies are grown in tribal areas near the Afghan border, out of police control. The tribes are heavily armed and refuse to give up a livelihood which has made them rich, particularly as the inhospitable terrain offers no other means of support.

The spraying is due to start early next month but most people are cynical about its chances. A similar operation launched by the late President Zia last year failed when the plane was shot at on its first flight by angry tribesmen.

Cuban troops, part of the first contingent of 450 to be withdrawn from Angola, hoist Angolan children onto their shoulders at a farewell parade outside Luanda. They were given an enthusiastic send-off by thousands of cheering Angolans yesterday, before they left from Luanda airport. 50,000 Cuban troops are scheduled to be pulled out by mid-1991 under the terms of peace accords signed by Angola, Cuba and South Africa in New York in December.

Syria, Iran try to keep Shias apart

By Jim Muir in Nicosia

SYRIA and Iran stepped up their efforts yesterday to stop the internecine battles in south Lebanon between their respective client Shia militias, Amal and Hizbollah.

Three days of ferocious fighting for control of a string of hill villages south-east of Sidon are reported to have claimed more than 80 lives and sent thousands of villagers fleeing for safety.

After earlier skirmishes, the battle began in earnest on Sunday with a dawn offensive by fighters from the Iranian-sponsored Hizbollah. After breaking out of a hilltop enclave they control close to the "security zone" established by the Israelis and their local militia allies, they overran half a dozen villages held by the mainstream Amal movement.

But Amal staged a counter-attack which late yesterday had apparently retrieved almost all the ground lost. Amal officials said there would be no ceasefire until they had driven Hizbollah out of the entire area, where the Iranian-inspired radicals have their only remaining southern strongholds.

By all accounts, the fighting has been the most vicious since the two factions' rivalry broke into open conflict last spring. Amal has repeatedly accused Hizbollah of butchering captives during the initial offensive, a charge denied by the fundamentalists.

Syrian troops have so far managed to contain outbursts of fighting between the two sides in the southern and western quarters of Beirut, but the situation there remains tense.

Mr Ali-Akbar Velayati, the Iranian Foreign Minister, described the fighting in Lebanon as "disastrous".

His deputy, Mr Ali Muhammad Besharati, held talks in Damascus yesterday with Syrian President Hafez Assad. Another Iranian envoy, Mr Mahmoud Rafsanjani – a brother of the powerful Majlis (Parliament) Speaker – joined him after talks with Shia leaders in Beirut.

Mr Besharati also conferred in Damascus with the leaders of two radical Lebanese Shia factions allied to Hizbollah.

Although Iran backs Hizbollah and Syria is close to Amal, the clashes have produced no signs of strain between Damascus and Tehran. Since 1982, they have been linked by a strategic alliance based on shared hostility towards their neighbour, Iraq.

Sri Lankan state of emergency to end

SRI LANKA'S five-and-a-half year state of emergency will be allowed to lapse when it expires next week and will not be reimposed, President Ranasinghe Premadasa said yesterday, AP reports from Colombo.

The emergency is due to expire Sunday, but some political analysts say Mr Premadasa may lift it earlier, possibly by Friday. "We have lived under emergency rule for now more than five years. I feel that is enough for everybody," he told a group of high-ranking government officials and lawmakers.

Officials said the decision was taken because of declining violence in southern areas where the People's Liberation Front (JVP), a group of radical youths of the majority Sinhalese community, is trying to overthrow the government.

They said in the north and east Indian troops trying to end a Tamil separatist drive had taken the sting out of a rebel group continuing the campaign.

The state of emergency was imposed in May 1983 to try to curb violence between Sri Lanka's Sinhalese majority and the minority Tamils. It has been extended by parliament every month since then.

Mr Premadasa told the meeting that everyone imprisoned under the state of emergency would be released.

● A national official of Sri Lanka's main opposition Freedom Party was killed yesterday with his bodyguard and a party supporter when their car was attacked in the southwestern town of Wadduwa, police said.

Israeli MPs to meet PLO

By Andrew Whitley in Jerusalem

FOUR left-wing Israeli parliamentarians are to participate this week in an international conference on the Middle East, together with senior officials of the Palestine Liberation Organisation, in France.

Their action highlights a widening left/right gap among Israelis over dealings with a body still regarded by many as inimically opposed to the existence of the Jewish state, despite the latest statements by Mr Yassir Arafat.

In a separate development, Mr Yitzhak Shamir, the Prime Minister, has attacked the European Community in strong terms, accusing it of consistently pursuing "pro-Palestinian policies". Meeting Lord Plumb, the visiting president of the European Parliament, he also complained about last year's bitter wrangle with the European Commission and Parliament over exports from the Israeli-occupied territories.

The Knesset members, who include Mrs Shulamit Aloni and Mr Yair Tzaban, the heads of the Citizens Rights Movement and the socialist Mapam party, travelled to Paris yesterday in defiance of controversial Israeli legislation forbidding meetings with PLO members.

While previous contacts have been confined to extreme left-wing MPs those taking part in this week's event in Paris have impeccable Zionist credentials. Among them are two prominent members of the Labour Party, Ms Ora Namir and Mr Arieh "Lova" Eliav, a former secretary-general of the party.

In a test case a group of private citizens who held talks with a PLO delegation in Romania were sentenced last year to jail terms. The MPs are protected by parliamentary immunity from prosecution.

But, judging by the vain attempts last week of a large lobby of right-wing Knesset members to prevent their colleagues taking part in the conference, a classic Israeli political row, full of noise and thunder, appears to be brewing.

South African mining group rejects charges of union-bashing

By Anthony Robinson in Johannesburg

A LONG simmering dispute between the Anglo American Corporation, South Africa's biggest mining, industrial and financial group, and the black National Union of Mineworkers (NUM) surfaced yesterday as Anglo rejected claims of union-bashing and proposed a code of conduct to end mine violence.

At a press conference at Anglo's Main Street headquarters Mr Bobby Godsell, the group's personnel supremo, rejected the NUM's claim that "the climate on Anglo's mines has changed dramatically (since the three-week August 1987 mine strike) so that its practices are now regarded by the union as among the most repressive".

The union's attack on Anglo, whose decision to close shafts and dismiss over 40,000 men forced an end to the 1987 strike, was contained in a 76-page document which charges that "racism remains a central experience of the corporation's employees". It claims that Anglo, or its local mine managers, have systematically harassed union activists and reversed the company's former co-operative policy which made Anglo mines the most unionised in the country.

Anglo's Luxembourg-based subsidiary Minorco's contested bid for Consolidated Goldfields is currently the subject of an extended investigation by the UK's Monopolies and Mergers Commission.

In rejecting the NUM's attack on Anglo, Mr Godsell said that Anglo gold mines were still unionised at around the pre-strike level of 55 per cent. This compared with only 7 per cent unionisation at mines owned by Gold Fields of South Africa, controlled by Consgold, he added.

However the level of unionisation at the corporation's coal mines had dropped by about 10 per cent since the strike, he conceded.

Since the strike ended Anglo says it has re-employed 23,000 of the 40,000 black miners sacked after the company closed deep shafts severely damaged by rock pressures.

It has also continued negotiating with the unions over implementation of a pension fund and other workplace issues. But it is adamant that the union and management must agree on a code of conduct to bring an end to the violence in which over 79 miners were killed in the 30 months up to and including the strike.

Mr Godsell also referred to two judgments by the industrial court which had cleared Anglo of malpractice while indicating the union's failure to discipline members and shaft stewards found guilty of murder and other violent crimes.

"Anglo believes that all workers have the right to join or form unions, to bargain collectively and strike peacefully," Anglo's counter document to the union accusations stated. But it added "for industrial peace to obtain all employees must also enjoy personal safety and the the freedom to make individual choices".

Last year the Chamber of Mines, which represents the six leading mining houses, and the NUM signed the annual labour agreement without a repetition of the bruising 1987 strike which cost the industry more than R400m (£56m).

South Korea emerges as fully fledged economic power

Maggie Ford reports on how the country is having to change politically in order to cope with its economic status

EAST ASIAN ECONOMIES

SOUTH KOREA

IN THE dying days of December, the Seoul Government made two announcements which signalled the end of an era for South Korea, Asia's fastest growing newly industrialised country.

As the Ministry of Finance paid off the final amount owed to the International Monetary Fund, economic planners forecast that South Korea would next year attain the status of a net international creditor. In 1985 South Korea had the fourth largest foreign debt in the developing world at $46bn, behind Mexico, Brazil and Argentina.

The economic figures tell a story of an export-oriented industrial strategy that has worked. A current account surplus of $4.6bn in 1986 increased to $9.8bn the following year and in 1988 reached an estimated $14bn. All three years have seen growth in gross national product of 12 per cent. The industrial strategy has produced a diversified export-driven economy, producing goods ranging from steel, petrochemicals, ships and motor cars to computers, semiconductors, consumer electronics and textiles.

But along with success has come the need for change: the drive to democracy which started in 1987, the problems of managing a surplus economy which has moved beyond the development stage, and the need to react to international changes.

Last year, the country's trade pattern saw great change. The opening of Japan's market to imports has enabled Seoul to reduce a chronic trade deficit there from $4.9bn in 1987 to $3.6bn for the first 11 months of 1988.

The trade surplus with the US has been reduced from $8.5bn to $7.6bn over the same period, mainly by increasing imports. Exports are now split fairly evenly three ways between Asia, including Japan, the Americas, and Europe and the Middle East.

A drive to increase economic links with the Eastern bloc and China is also producing results and trade with Australia, Indonesia and the Middle East, especially in raw materials, is likely to fuel the industrial boom.

The appreciation of the won currency, up nearly 25 per cent against the dollar in the past two years has spurred the move offshore of low technology manufacturing such as textiles, footwear and toys. Countries such as Thailand, Malaysia, Mexico and in the future China, are favoured.

The country's development has been built on cheap labour, high productivity enforced by authoritarian governments and subsidies to strategic industry backed by centralised government planning. The lid was kept tight on consumer spending, through taxes and import restrictions, resulting in a savings ratio of 38 per cent.

South Korea's 43m people, whose wages have risen to an average annual family income of around $12,000, therefore represent a substantial market especially for consumer products.

The move towards democracy has highlighted imbalances which have arisen during the development stage, offering wide scope for public and private sector spending, while the high savings ratio allows the country to finance its own investment.

The Government's main problem will be to channel the funds into the economy in a non-inflationary way. It has already taken steps to deregulate interest rates in order to reduce industrial financing costs, develop a more sophisticated banking and financial sector, including the stock market, and boost housing construction.

Import restrictions are being progressively lifted (though many internal barriers remain). A ban on travel abroad has now been completely removed. The won currency is moving towards convertibility.

But unlike many countries in Asia, South Korea is treading an increasingly independent path in its relationship with its close and powerful neighbour, Japan. Much of the country's industry has been built on the transfer of foreign technology, especially from Japan. But memories of the harsh 40-year colonial period which ended in 1945 make South Koreans exceptionally wary of allowing Japanese companies to gain control over their economy.

Much of the concern about allowing foreign investment in the Seoul stock market, for instance, is related to the fear that cash-rich Japanese investors will simply buy up the country's best assets.

South Korea imposes strict rules on foreign investment and almost half of last year's total, although technically Japanese, was made by a Korean hotelier resident in Tokyo. Many Japanese imports, including cars, are banned, although Japanese companies such as Mitsubishi and Mazda have minority stakes in South Korean carmakers.

The US remains central to South Korea's concerns – for economic, political and military reasons – and a serious downturn in the American economy would still have a strong impact. But as the country becomes more independent and international political tensions ease, a change in the nature of the ties should evolve.

South Korea will hope to see a more equal relationship emerge, with more serious negotiation on trade issues and less wielding of the big stick. It has started to make good on its promises to reduce the bilateral trade surplus and appreciate its currency.

With more equality, the Government has also recognised, comes responsibility and South Korea is becoming an aid donor country, albeit in a small way. The Government will make $200m available for projects in the Third World next year, and $300m the following year.

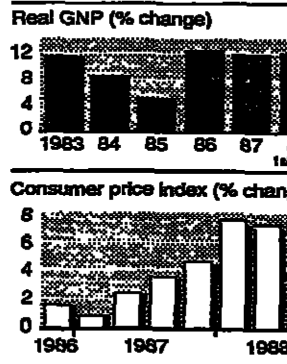
Of all the Asian industrialising countries, South Korea probably has the biggest potential in terms of its wide industrial and growing capital base, its domestic market and its increasingly open economy.

The country remains, as always however, hostage to international relations because of its strategic position. Only time will tell if it can take advantage of the current international climate to develop the independence and long-term stability needed to match its remarkable economic success.

This is the third in a series of articles examining the performance and prospects of East Asia's economies. Previous articles appeared on January 4 and 6.

Direct investment overseas by South Korean companies approved last year rose 34.6 per cent to $480m from a year ago, the Bank of Korea reported yesterday, AP writes. Officials said more was being invested abroad because of South Korea's stronger currency and increasing wages. The US topped the investment list with $230m for 78 projects, followed by South-east Asia with $75m for 118 projects, Latin America with $22m for 22 and Europe with $19m for 18 projects.

South Korea



AMERICAN NEWS

Sprinkel attacks policy on thrifts

By Anthony Harris in Washington

PRESIDENT Reagan's chief economic adviser, Mr Beryl Sprinkel, yesterday launched a strong attack on the Federal Savings and Loan Insurance Corporation for "postponing the day of reckoning" through its private-sector rescues of insolvent thrift institutions.

He also recommended that deposit insurance should cover less than 100 per cent of insured deposits to encourage prudence among depositors.

Mr Sprinkel was presenting his final Economic Report of the President, which also contained an attack on the Federal Reserve for economic fine-tuning, and a restatement of his own monetarist faith. Mr Sprinkel has until now been inhibited in his public statements by an understanding that the chief adviser would not criticise Administration policies.

In his press briefing Mr Sprinkel put the cost of restoring the thrift industry to health at $100bn, the highest figure yet admitted by an official spokesman, and said the US taxpayer would ultimately have to bear much of this cost.

However, Mr Danny Wall, the FSLIC chairman, who was appearing before the House Banking Committee, claimed that the private sector deals would save the taxpayer money. He said his agency rescued 75 institutions in December at a cost of $16.3bn to be spread out over 10 years; tax benefits arising from the deals would cost an additional $4bn over 10 years.

The alternative – liquidating the S&Ls – would have required $47bn in "up-front cash", far more than was available to FSLIC, he added. He urged Congress to put the "full faith and credit" of the US Government behind the promissory notes which FSLIC has issued to finance its operations.

Mr Sprinkel's proposal to limit the coverage of Federal deposit insurance has some support in Congress but is strongly opposed by Mr William Seidman, chairman of the Federal Deposit Insurance Corporation, who argues that depositors cannot be expected to make judgments which official supervisors have failed to make despite better information.

El Salvador guerrillas to halt fear campaign

By Tim Coone in Managua

A CAMPAIGN of intimidation against mayors of the right-wing Arena party in El Salvador, has apparently been called off by the FMLN guerrilla organisation following renewed death threats against left-wing leaders.

The clandestine guerrilla radio station, Radio Venceremos, in a brief announcement at the weekend stated that the campaign was not to be continued and that the mayors who had resigned or fled their towns, would be allowed to return to their posts.

Three new right-wing death squads made their appearance last week, with the announcement that they intended to "kill a communist leader for every mayor that is forced to resign by the FMLN."

Their hit list of targets is headed by Dr Guillermo Ungo, the presidential candidate for the centre-left opposition party Convergencia Democratica (CD), and Dr Ruben Zamora another of the CD leaders.

Both are former Christian Democrats and although founding members of the Revolutionary Democratic Front (FDR), an independent political wing of the FMLN, they have publicly distanced themselves from recent military actions by the FMLN such as the recent car-bombings in the capital and the threats against the mayors.

Dr Zamora said: "We have called on both sides to respect human rights and to not extend the war to the civilian population. We are opposed to the use of car bombs, the threats against the mayors and the attacks against offices of political parties of whatever tendency."

The majority of municipalities throughout the country are controlled by the right-wing Arena party. Eight Arena mayors were killed by the FMLN at the end of last year, which prompted a wave of resignations by other mayors. The FMLN claims the mayors were actively involved with paramilitary groupings in identifying local opposition figures who are later assassinated.

At the weekend a series of bombs planted by FMLN commandos exploded in the eastern city of San Miguel.

Mexico's rate of inflation falls by two thirds in 1988

By Richard Johns in Mexico City

MEXICO'S rate of inflation as measured by the official Consumer Price Index fell to 51.7 per cent last year compared with the high of 159.2 per cent recorded in 1987.

Official satisfaction about the success of the Economic Solidarity Pact in achieving the reduction was qualified by the fact that the index showed a 2.1 per cent rise in December, continuing the upward trend since the low point of 0.6 per cent in September.

The outcome for 1988 compared with the original projection for the year of 70 per cent and the lower objective of 50 per cent set when the austerity measures of Mexico's stabilisation programme began to bite.

The Bank of Mexico attributed the increase last month to higher prices for milk, fruit and vegetables, as well as rented and hotel accommodation.

For 1989 an annual 18 per cent inflation rate has been projected for the year. As a target it looks as if it could be difficult to achieve because of growing labour discontent over wage restraint and business community leaders' complaints about the squeeze on profit margins through higher public service costs. For business, a 2 per cent tax on assets has been a particular grievance.

Under the Programme for Stability and Growth – as the pact reached by the government, business organisations and union bosses was renamed when President Carlos Salinas de Gortari assumed power last month – an 8 per cent rise in the minimum wage and voluntary maintenance of prices were agreed.

Civil servants who demanded a doubling of salaries settled for 10 per cent but other settlements reached in collective bargaining are likely to exceed that significantly. Workers in in-bond maquiladora industries for instance obtained 25 per cent.

As part of an attempt to iron out price distortions and eliminate shortages, the main burden imposed on consumers will be a rise in milk prices of 27 per cent.

They have been exempted from any rise in electricity charges. For commercial users, however, rates have gone up by 31.6 per cent to 38.6 per cent for oil.

Other rises include 37.5 per cent for natural gas,51.4 per cent for asphalt and 31.3 per cent for fertilisers manufactured by the state-owned Fertimex. Employers' contributions to social security have also been raised.

With business leaders arguing that they cannot absorb such extra costs and the labour movement dissatisfied with wage restraint, there is a danger that the renewed pact could fall apart.

Argentina fails to stop Falklands ferry

By Rory MacLeod in Stanley

THE Falklands Islands is this week set to re-establish transport links with the South American mainland through a roll-on roll-off ferry, despite diplomatic opposition from Argentina.

Comments from the Foreign Minister and Vice-Minister of Transport in Uruguay yesterday that they would not allow the vessel into their port at the capital Montevideo seem to have been largely ignored by the vessel's owners.

The French-built vessel, Indiana I, purchased from Italian interests by a consortium calling itself Indianamar SA, arrived in Stanley harbour last week and will sail for Uruguay tomorrow.

The ferry will run a service dependent on demand between Montevideo, Stanley, and the southern Chilean port of Punta Arenas, but is primarily designed to provide a supply ship for the $800m-a-year Falklands fishing industry.

Argentina has applied pressure to Uruguay and Chile to prevent the vessel running, but the owners – a consortium of joint venture fishing companies from the Falklands involving UK, Japanese, French, Taiwanese, South Korean and Spanish companies – said they would push ahead.

"This is an international commercial venture, which can go anywhere in the world," said Mr Graham Bottrel, manager of the vessel, and representative of J Marr (Vessel Management) of Hull.

Brazil car output up sharply

By John Barham in São Paulo

BRAZIL'S motor industry had one of its best years in 1988, with production rising 29 per cent to 1.07m units. The industry says strong domestic demand compensated for an increasingly difficult export market.

Consumers frightened by hyper-inflation invested money in tangible assets. Car prices rose by over 1,000 per cent last year, compared with an inflation rate of 934 per cent. Even so, car sales rose by one-third.

The figures show the industry is recovering strongly from a recession at the beginning of the decade. In 1981, output fell by a third to 780,000 units.

The 12 car, truck and bus manufacturers complain, though, that domestic sales are still far below previous levels. In 1979, domestic sales accounted for 90 per cent of output. Now the local market buys 70 per cent.

Anfavea, the motor industry trade association, said exports rose 15 per cent in 1988 to a record $3.16bn. However, it said Brazil was pricing itself out of the market. An Anfavea official said the Brazilian cruzado was 30 per cent overvalued, making exports more expensive.

Bankers expect slowdown in Brazilian debt conversion

By John Barham

FOREIGN bankers are already resigned to a sharp slowdown in Brazil's debt conversion mechanisms. Government officials have told bankers they will not disburse any cruzados bought through debt conversion in the first quarter.

A British banker said the Government's New Year's resolution was to control the money supply. The 1988 inflation rate was 934 per cent.

The central bank's first target is the $1.8bn (£1bn) relending programme, one of the much-vaunted investment options included in the September foreign debt restructuring package. Relending allows banks to draw down some of their funds blocked at the central bank and relend them to domestic borrowers.

So far, 416 foreign banks have applied for relending rights totalling $2.1bn, more than double the $950m ceiling for the first half of the year.

Mr Armin Lore, the central bank's international director, told foreign bankers that relending rights "would not be granted immediately" after their formal approval. The central bank has already reduced the amount to be released by 25 per cent to $1.35bn.

Bankers admit that the central bank could delay its formal assent substantially by increasing the already heavy burden of red tape. The Government's commitment to tougher monetary discipline this year casts further doubt on the future of the monthly $150m debt-to-equity conversion auctions.

Other conversion mechanisms are due to begin operation this year. Banks are likely to put up a harder fight to keep the new money conversion scheme which begins in September.

Banks will be allowed to convert $1.8bn of the $5.2bn in "new money" they lent Brazil in 1988 without conceding any discount. At present Brazilian debt trades at 40 per cent of its face value.

Bankers say the controversy over the conversion schemes is more political than technical. They add that the Government is anxious to avoid being soft on the banks in an election year when the foreign debt will figure prominently.

● The Finance Ministry has said it wants to renegotiate the four-month-old debt package as part of a broader assault on inflation. The Government wants to reduce the planned 1989 trade surplus of $15bn by a third. That would require it to cut the $10bn annual debt service bill by 40 per cent or secure additional external financing of $4bn to avoid reducing its currency reserves.

Chile drops cases against press but plans tougher restrictions

By Barbara Durr in Santiago

THE Chilean Government is to drop all cases in civilian courts against journalists, but it has drafted a press law that would tighten restrictions.

According to government figures, 28 press cases in civilian courts affecting 40 journalists, will be dropped. The Government also announced that in cases against journalists being heard in military courts, it would "make its best efforts to see that these come to a rapid close."

The Chilean Journalists Association said all the cases, including those in military courts, should be dropped and that it would consider the press was still being persecuted until they were. The association says there are still 27 cases being processed through military courts, affecting 18 journalists.

Mr Emilio Filippi, of the main opposition daily newspaper La Epoca, said any measure of this type by the Government was positive, but he added: "As long as the laws and executive decrees that restrict press freedom remain on the books, we are always in danger."

The Government is considering a fresh press law that would impose stiff fines and prison terms for publication of information or opinions that "induce violence or a serious disturbance of the public order." It would also treat as punishable news regarded as causing harm to national security and the country's economy or that would damage the "dignity, credit, reputation or interests of people or corporations."

In a recent editorial, Mr Filippi's newspaper said the law caused "the justifiable concern of the press given the Government's decision to legislate so aggressively against it." The newspaper said such laws should be repealed by a future democratic government.

Mr Filippi himself faced charges in a civilian court for having published a paid advertisement for the Communist Party in 1987. Four other journalists faced the same charge.

The press in Chile was prohibited from publishing statements, interviews or other information from illegal political groups while the country was in a state of emergency. Under Article 8 of the controversial 1980 constitution, any group advocating class conflict, (for which, read Marxism) is illegal.

The state of emergency was lifted last August, but laws complementing Article 8 leave the prohibition in place, Mr Filippi said.

It is also illegal to publish articles considered offensive to the regime. In one of the most celebrated cases, Mr Juan Pablo Cardenas, director of the magazine Analisis, was condemned in 1986 to night-time imprisonment for 541 days for writing a series of editorials criticising General Augusto Pinochet. Mr Cardenas completed his sentence a few months ago.

Last month, the Chilean press was collectively awarded the Inter-American Press Association's 1988 prize for distinguished public service.

WORLD TRADE NEWS

France agrees FFr7bn credit for Algeria

By George Graham in Paris

FRANCE HAS agreed to a FFr7bn ($836m) credit package for Algeria which is expected to open the way to solving the long-running conflict between the two countries over their natural gas supply contract.

The two governments are expected to sign a protocol in the next few days loosening the conditions on an existing FFr3bn credit line, which has never in fact been used, and agreeing to a FFr4bn concessional finance package from France.

The financial negotiations, concluded by senior officials over the weekend, have been carefully separated in theory from the two-year dispute between Gaz de France, the French state gas utility, and Sonatrach, the Algerian natural gas supplier, over the price to be paid for supplies of Algerian gas to France.

In practice, however, the FFr7bn financial aid helps considerably the prospects of an agreement on gas supplies, and talks between the two energy companies are due to resume today.

It is not clear, however, that Mr Francis Gutmann and Mr Pierre Gadonneix, Gaz de France's president and managing director, will be able to reach a final accord with Sonatrach in Algiers today. Officials hope that the two sides will be able to agree on a price of around $2.20 per 1m British thermal units – some 5 per cent less than the Algerian objective.

Since the dispute between the two sides erupted in January 1987, Gaz de France has been paying an estimated $1.97 per btu, while Sonatrach is thought to have been billing at $2.79 per btu. If agreement is reached on a price of $2.20, it would be slightly above the $2.14 Sonatrach recently agreed with Italy.

The FFr7bn financial aid package is to be paid in two equal tranches this year and next. Half will take the form of a 30-year government loan at 2 per cent interest, while the remainder will come from 10-year commercial loans, backed by the French export credit agency Coface, at the OECD consensus interest rate.

US plan for $250m chip factory in Italy

By John Wyles in Rome

THE Abruzzo region of southern Italy scored a notable foreign investment coup yesterday when Texas Instruments announced plans to build a $250m manufacturing centre for 4-megabit dynamic random access memories (drams) and other advanced semiconductors.

The investment is the largest ever made by the US company outside America and Japan, and will create about 550 jobs. The manufacturing plant at Avezzano, about 100 miles east of Rome, is due to begin production of wafers for Metal Oxide Semiconductor (MOS) integrated circuits by the end of next year.

Mr Roberto Schisano, managing director of Texas Instruments Italia, yesterday presented the decision as a coup for Italy and a potential development leap for the Mezzogiorno.

The company's plant at Rieti, 60 miles north-west of Avezzano, had become its European centre for the assembly and testing of memory chips, and the proximity of the new plant would be very advantageous.

TI claims that the Avezzano project will complete a network of European manufacturing centres which currently includes manufacturing facilities in West Germany, Portugal, the UK and France.

Following the mid-1980's price collapse and subsequent shake-out among manufacturers of direct random access memories, TI is one of only two remaining US producers of this kind of chip.

Mr Schisano said TI's two existing plants in Italy – the other is near Caserta – had demonstrated how the country's South could compete with the rest of Europe "if appropriately stimulated and guided."

He made it clear that the package of financial incentives available to companies setting up in the South had been a powerful influence on TI's final decision.

Mr Remo Gaspari, the Italian Minister for the Mezzogiorno, made no attempt to hide his satisfaction about this notable foreign investment coup – the Christian Democrat Minister himself is a man of the Abruzzo.

Very model of an Egyptian success story

Chloride joint venture has reputation for output and efficiency, Tony Walker writes

TEN YEARS ago Sir Michael Edwardes – who was then head of the UK battery maker, Chloride – promised President Anwar Sadat that his company would consider investing in Egypt. Neither could have foreseen that the resulting joint venture would become a model Egyptian success story.

Helped by an import ban imposed in 1985, Chloride has secured 50 per cent of the Egyptian market for car batteries. It has also begun exporting 5-10 per cent of production, some to the UK.

Its plant in the desert, 30km north of Cairo, has a reputation for productivity increases, cost efficiency and good labour relations.

Mr Neil Bright, general manager of Chloride Egypt, says a measure of the company's success is that it is testing the limit of its plant's capacity – 550,000 batteries a year – without taking on more labour.

When production started in 1982 at the rate of 100,000 batteries a year, 400 workers were seconded from Chloride's joint venture partner – Egypt's General Company for Batteries (GenBat). Today, the project has about the same number of workers and there has been almost no turnover in the labour force.

Mr Bright, who previously headed Chloride's Singapore operation, said that with proper incentives – Chloride workers are among the country's highest paid – productivity matches the Far East.

The main difference in doing business in Egypt, he says, is the degree of bureaucratic interference.

In Egypt, red tape threatens to ensnare enterprises at almost all levels of activity. "Singapore was the opposite," said Mr Bright. "I don't think I spoke to a government official in six years."

He cites the example of the company's decision to sell one of its older cars recently. Under complex procedures, the local Chloride board had to approve the deal and Mr Bright had to go personally to offices of the government authority responsible for industry.

"The system," he observes, "is time-wasting, frustrating and highly bureaucratic. But if one perseveres and is not deflected and begins to understand the system and work with it, then you can succeed."

One problem has been lack of a unified foreign investment law, but that is about to change with introduction of streamlined regulations to improve the climate for investors.

Chloride's success in a difficult environment seems due to its experience in setting up Third World ventures, product quality – and luck.

In the two years before import restrictions, the company lost money due to competition from cheap imports from the Far East. Egypt's balance of payments crisis then forced a ban on many items that could be made locally, including car batteries.

Helped by an import ban, Chloride has secured 50 per cent of the Egyptian market for car batteries. It has also begun exporting 5-10 per cent of production, some to the UK.

In 1986-87 and 1987-88, Chloride Egypt returned to profitability. Earnings in the present financial year to March 1989 are expected to match the E£4m profit on turnover of E£36m last year.

Chloride of the UK owns 52 per cent of the "Law 43" company – the Sadat "open door" law – and GenBat 38 per cent. The other 10 per cent is held by the Endowment Fund of the American University in Cairo.

Last year Chloride bought an additional 2 per cent held by Barclays Bank to increase its stake to 52 per cent. Earnings are now consolidated into the international group's results.

Chloride operates under self-imposed restrictions. While "Law 43" companies are not subject to price control, Chloride tries to keep increases to a minimum in line with an "unwritten agreement" with the authorities.

"We're motivated to reduce costs rather than increase prices as a means of sustaining margins," Mr Bright says. "We do everything we can to control cost increases, by localising whatever we can, for example."

Price increases in the past few years have been held to about 10 per cent a year, while inflation is running at 25-30 per cent. This has been achieved despite the rapidly depreciating Egyptian pound and the fact that almost all raw materials, including rubber, lead and polypropylene, are imported.

Chloride's main competitors are the Egyptian and National Plastics public sector companies manufacturing under licence from Varta of West Germany and Prestolite of the US respectively.

Unlike its competition, Chloride pays commercial rates for power and fuel. Chloride outsells its competitors, even though its prices are on average 15 per cent higher. Its batteries in Egypt sell for about the same as equivalent units in the UK.

The UK company is constrained from extending its dominance of the Egyptian market. Mr Bright describes Chloride's market position as "mature" and observes that to take more would be an "affront to the government."

Apart from trying to export more, the company is moving into production of industrial batteries – value added is much greater on these units than car batteries – for use in telecommunications, irrigation and the railways. It is licensed to produce 25,000 of these units a year for local and export markets.

Mr Bright believes his plant is capable of producing 600,000-650,000 car batteries a year, well beyond its planned capacity. Chloride is thinking of operating the factory round-the-clock; now, it is restricted to two eight-hour shifts.

Sweden takes anti-dumping action by US to Gatt

By William Dullforce in Geneva

SWEDEN HAS asked the General Agreement on Tariffs and Trade to adjudicate its complaint against anti-dumping duties imposed by the US on imports of some Swedish stainless steel products.

A special meeting of the Gatt anti-dumping committee has been called for next Monday at which the Swedes will ask for the setting-up of a disputes panel.

The US slapped a duty of 26.46 per cent on imports of stainless seamless pipes and tubes from Sandvik AB in 1987 after six US specialty steel companies complained to the Department of Commerce in October, 1986 that their business was being injured by dumped imports from Swedish stainless steel producers.

Sweden claims the investigation by the US International Trade Commission showed no significant price undercutting by Sandvik and no significant increase in dumped imports. Attempts to come to an understanding with the US have failed, the Swedes now say.

In its original investigation, which covered imports from other Swedish producers as well as Sandvik, the ITC claimed to have found evidence of "consistent underselling".

According to the Swedes, the ITC found only seven cases of price cutting over three and a half years.

Imports from Sweden accounted for 17.9 per cent of US consumption of stainless seamless pipes in 1986 and 16.3 per cent in the first half of 1987, the Swedes say.

Honda looks to Rover for growth in Europe

By Ian Rodger in Tokyo

THE FUTURE of Honda Motor, Japan's third largest motor group, in Europe is dependent on the success of the company's co-operation with the UK's Rover Group, Honda directors indicated yesterday.

"Our strategy in Europe is based entirely on closer ties with Rover," Mr Tetso Chino, senior managing director, said at the company's annual press conference.

Mr Tadashi Kume, the company's president, spoke in similar vein in response to question about Honda's plans in Europe:

"The key to what we do in Europe is the success of Concerto production by Rover this year, so we are concentrating all our energies on that.

"If it is successful, we will seek further to strengthen our relations with Rover."

These statements are probably the strongest ever made by Honda directors about the company's relationship with Rover.

Last March, when it was announced that Rover was being taken over by British Aerospace, they were noticeably reticent about making commitments about the future of the relationship.

Mr Chino made clear that yesterday's statements should not be taken simply as a pep talk to the Rover workers who would produce the Concerto.

This is the new model that the two companies have developed jointly and which will begin production at Rover's Longbridge plant later this year.

Up to now, Honda's position in the European market has been relatively weak, and it is counting on the Concerto and a drive to improve its dealer network in continental Europe to raise its market share.

Mr Chino said Honda sells about 120,000 units in European Community countries, but the UK is by far its strongest market. In Continental Europe, it sells about 80,000 units.

Honda plans to export to continental Europe about 70 per cent of the 40,000 Concertos a year that Rover will begin producing in the autumn, and hopes that these cars will add to its existing sales base, not simply replace other models.

EC content in the cars will be over 80 per cent from the outset, Mr Chino said, mainly because they will be fitted with engines manufactured at Honda's new plant at Swindon, Wilts, which will also begin production later this year.

Honda's press conference occurred only an hour or so before Japan's Ministry of International Trade and Industry announced that it was extending for another year the voluntary restraint agreement (VRA) with the US under which Japanese car exports are restricted to 2.3m units.

Mr Kume said he did not think the VRA was desirable and "whether or not it was abolished, we do not expect any change in our exports to the US".

Honda startled many analysts last year when it became the first Japanese car maker to import cars into Japan from its factory in the US.

Mr Kume said he thought the level of these imports this year would remain at a level similar to last year's 4,600 units because of capacity restraints in the US.

However, the company was expanding its US plant capacity and "by 1991-92, we hope that 50,000 of the 800,000 cars we want to sell in the home market will be imported from the US".

Kevin Done, Motor Industry Correspondent writes: The indication from Honda that it will consider further co-operation projects with Rover will be welcomed by the UK car maker, which has become largely dependent on collaborative deals with Honda to support its crucial new model development programme.

Both its current Rover 800 executive car range, launched in 1986, and its new medium-sized car, code-named the R8, which is due for launch later this year, have resulted from joint development.

The Honda production volumes represent a welcome addition for Rover in making better use of its own under-utilised production capacities.

UK NEWS

Semtex no longer exported say Czechs

By Edward Mortimer in Paris

CZECHOSLOVAKIA has stopped exporting Semtex plastic explosive and is eager to work closely with Britain, at both the political and technical levels, on ways of making such high explosives identifiable.

That assurance was given yesterday by Mr Jaromir Johanes, the Czech Foreign Minister, to Mr William Waldegrave, British Foreign Office Minister, at a meeting in Paris yesterday.

Both ministers have been attending the Paris conference on chemical weapons, which is due to end today.

Czechoslovak experts are expected to arrive in Britain today to help those investigating the cause of the Pan Am airliner crash at Lockerbie, just before Christmas. This is believed to have been caused by an explosive device using Semtex.

The explosive is also known to have been used on many occasions by the Irish Republican Army.

Mr Waldegrave, who described yesterday's meeting as "positive", emphasised that Britain had never accused Czechoslovakia of supplying terrorist organisations directly. Both governments were opposed to terrorism, he said.

However, Czechoslovakia had exported Semtex in the past and Libya had supplied "a very large quantity" to the IRA. He, therefore, regarded as "helpful" Mr Johanes's assurance that the Czech government had not exported it "for some time."

He added that Britain could "see sense" in the proposal put forward last week by the Czech Government for an international convention on the manufacture of high explosives, and "was looking at it positively."

The only problem, he said, was that such a convention might take a long time to negotiate.

He was, therefore, pleased that Mr Johanes had made it clear that the proposal was not intended as a delaying tactic, and that Czechoslovakia was willing to work directly with Britain on practical ways of dealing with the issue.

Jaguar strike 'likely' as pay deal rejected

By Richard Tomkins, Midlands Correspondent

MANUAL workers at Jaguar, luxury car-maker hit by slow US sales and a weak dollar, have overwhelmingly rejected a final pay offer from the company worth a little more than 4 per cent a year during the period of a two-year deal.

Just over 70 per cent of the 7,977 workers who voted in the secret workplace ballot on Monday were against accepting the offer and 2,373 were in favour.

Unions and management now look set for a course of confrontation.

Mr John Allen, West Midlands divisional organiser of the Amalgamated Union of Engineering Workers, said shop stewards would meet to consider a further ballot on industrial action.

"The delegate conference will undoubtedly recommend a vote in favour of industrial action," he said.

"It would be bound to be a withdrawal of labour. It could be of a full or a partial nature, but whichever it was, it would undoubtedly be very damaging both to the company and that part of the economy which is dependent on it."

Jaguar refused to comment yesterday, but Mr Michael Beasley, the company's assistant managing director, had made it clear immediately before Monday's ballot that the offer would not be improved.

"If there is a vote on Monday to reject the proposals or a further vote for industrial action, this will not change that fact," he said.

Jaguar has argued consistently through four months of intermittent wrangling over the pay offer that it cannot afford a generous deal because poor US sales caused by the weakness of the dollar have sent profits reeling.

It had hoped that workers would be prepared to tighten their belts to see the company through a period of hardship. But the unions say 4 per cent a year will mean too great a drop in living standards in the face of inflation.

Mr Tony Russell, the engineering workers' convenor at Jaguar's Browns Lane assembly plant in Coventry, in the Midlands, said last Friday's news of the 15 per cent pay award to Nissan's workers in Tyne and Wear, north-east England, was also decisive.

"We realise we are on better money than Nissan, but a lot of people are looking at the rising costs of mortgages and ... thinking that 15 per cent is considerably more than we've been offered."

Range Rover sales up 18%

By John Griffiths

WORLDWIDE sales of Land Rover group's luxury four-wheel-drive vehicle, the Range Rover, increased by 18 per cent last year to 24,185, despite a five-week strike last spring in which production of 3,000 Range Rovers was lost.

The British Aerospace subsidiary also reversed the long slide in worldwide sales of its utility Land Rover range, achieving 22,515 sales last year. This represented an increase of 9 per cent from the 20,686 of 1987, although sales are still running at only about 40 per cent of the levels achieved at the start of the 1980s.

The higher sales are expected to lead to the group announcing a sharp increase in profitability, to at least £30m before tax and interest in its financial year to December 31, against £22.5m last year.

The improved results come at a time when Land Rover is preparing for the start of production later this year of only its third completely new model since the original Land Rover itself was launched.

The J project will see the launch of a well-specified, mid-sized 4wd vehicle – best described as a "mini" Range Rover – with which Land Rover intends to tackle head-on vehicles such as Mitsubishi Shogun and Isuzu Trooper.

Bank wins freeze on Koskotas' UK assets

By Raymond Hughes, Law Courts Correspondent

THE BANK of Crete has been granted a High Court order in London freezing assets of Mr George Koskotas, its former chairman.

The order prevents Mr Koskotas and his brother Stavros from disposing of up to £34m of their own assets or those beneficially owned by, or in the name of, Meditfin International, a Luxembourg Company, or Greek Investment Company.

Fraud charges filed in Greece last October against Mr George Koskotas, a selfmade banker and press baron closely associated with Pasok, the Greek Socialist party, led to rumours and allegations of financial corruption involving the government led by Mr Andreas Papandreou.

Mr Andrew Nitch-Smith, a partner in Denton Hall Burgin & Warrens, Bank of Crete's London solicitor, said yesterday that the freezing order had been made in private last Thursday by Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, the senior judge of the High Court Chancery Division.

On the same day the Bank had issued a writ claiming damages against the Koskotas brothers. The writ alleges that the brothers diverted, misappropriated and misapplied funds and accuses them of breach of trust and breach of duty as directors of the bank.

Notice of the order has been given to 10 leading London banks which have been asked to say if they hold any of the relevant assets.

The Bank of Crete expects to return to court to seek further orders next week, Mr Nitch-Smith said.

The Koskotases have been given liberty to apply to the court to vary or discharge the freezing order.

Mr George Koskotas, charged in Greece with embezzling more than £120m, fled the country. He was arrested in the US and is at present in jail in Salem, Massachusetts, awaiting extradition proceedings being launched by the Greek government.

Draft licences set out energy pricing policy after privatisation

Pledge to electricity consumers

By Max Wilkinson, Natural Resources Editor

THE 250 pages of draft licences for the electricity industry published yesterday will open up the industry for competition after privatisation and protect consumers, Mr Michael Spicer, Energy Minister, claimed.

However, the detailed and complex proposals were immediately attacked by Mr Tony Blair, Labour energy spokesman, as failing to give adequate protection to the 22m electricity consumers and failing to give the industry enough incentive to promote energy conservation.

Mr Blair claimed the licences represented a "big fix" in which the effectiveness of formulae for maximum price rises were in inverse proportion to their complexity, and he said many important details of the formulae remained to be decided.

The four sets of licences for different parts of the industry include three separate formulae for limiting prices to final consumers in the regulated domestic and commercial sectors, the prices for transmission of power across the national grid, and prices for distributing power in lower voltage local networks.

Mr Cecil Parkinson, Energy Secretary, strongly defended his forecast that the electricity industry will need to invest £40bn by the beginning of the next century to meet expected demand, writes Philip Stephens.

He also indicated that the Government is considering raising the target rates of return on capital which it sets for nationalised industries. Mr Parkinson said that in the late 1970s, the Labour Government had set the rate at 5 per cent, but it was now felt that 8 per cent was a better target.

Speaking during a contentious start to the Committee stage of the Electricity Bill, Mr Parkinson said the investment figure was a realistic estimate of likely spending – measured in the prices expected to prevail by 2000.

In 1987 prices, investment in new capacity was likely to total around £13bn, to which would have to be added a further £1.5bn for investment in the distribution grid.

The estimate, first cited by the Government in 1987 as a key factor in its decision to implement a 15 per cent rise in electricity prices over last year and this, was strongly attacked by Mr Tony Blair, Labour's energy spokesman.

Mr Blair said that published reports by independent consultants showed that the £40bn figure was a serious over-estimate of likely investment needs.

The Government therefore should reverse the 15 per cent price rise and should commission an independent report to assess accurately the likely level of capital spending.

The Labour spokesman added that the two different figures given by Mr Parkinson suggested a sharp and sustained rise in the inflation rate every year.

The formulae allow prices to rise by the inflation rate less a few percentage points to induce efficiency.

Average increases in generation transmission and distribution costs and a nuclear levy will also be passed to consumers

One of the main thrusts of all three licences is to separate the cost of generating electricity from the cost of transmission and distribution to final consumers.

By making transmission and distribution charges as open as possible and requiring tariff structures to reflect costs and a reasonable return on capital, the Government hopes to open up the network to new competitors.

A special form of licence has been drafted to promote competition in the supply of large users of electricity.

This puts *minimum* restrictions on the supplier's prices or obligation to maintain supplies when power is short. These factors can be negotiated freely by any consumer which opts to enter the wholesale market.

"Customers will be able to strike contracts with the generator of their choice," Mr Spicer said.

"Large customers will particularly welcome this provision, but smaller customers will also benefit from the competitive pressure it will put on suppliers.

The licences also set out the powers of the central grid to supervise the running order of all larger power stations ("central despatch").

New issues market in 1988 remains active

By Philip Coggan

THE UK new issue market was remarkably active in 1988 in spite of the aura of lethargy that surrounded the London equity market.

A survey published by accountants Peat Marwick McLintock reveals that 192 companies joined the main and unlisted securities markets last year – only slightly fewer than the totals of 201 in 1987 and 204 in 1986, the days of the bull market.

The survey shows that smaller companies were responsible for maintaining last year's new issue momentum, with the number of companies joining the unlisted securities market rising to 88 from 72 in 1987. By contrast, the number of main market issues fell to 104 last year from 129 in 1987.

The total raised by new issues was down at £3.77bn from £5.01bn in 1987 and £8.96bn in 1986. (Peat Marwick assumes that privatisation issues such as British Steel are fully paid on Day One.)

The average amount of money raised per issue fell slightly from £39m in 1987 to £36m last year. Excluding those privatisation issues which raised over £1bn, the average new issue raised just £12m last year, against an average of £19m in 1987 and £27m in 1988.

If the figures are adjusted to reflect the partly paid nature of the privatisations, 1988's total – which included instalments on British Gas and BAA – was still down to £4.8bn, against £6.84bn in 1987 and £6bn in 1986.

No early judgment due on terror powers

By Charles Hodgson

CHANGES in police powers to detain terrorist supects in response to recent objections by the European Court of Human Rights look certain not to be included in the new Prevention of Terrorism Bill.

Mr Douglas Hogg, the junior Home Office minister, told MPs yesterday there was "little prospect of the Government's final response to the (European court) judgment being available before the Bill is through Parliament."

The Strasbourg-based court ruled in November that denying terrorist suspects prompt access to a court early in their detention breached the European Convention on Human Rights.

Mr Douglas Hurd, the Home Secretary, told the House of Commons shortly after that the Government would bring forward amendments to the Bill to respond to the court ruling before the legislation left the House.

He announced late last month that the Government had sought a temporary derogation – non-compliance with the ruling – as provided for in the convention, in respect of police powers of detention under anti-terrorism laws while still studying whether some form of judicial review could be introduced.

Yesterday's further announcement brought an angry response from opposition Labour MPs who insisted the Government had undertaken to bring forward proposals to respond to the court ruling before the Bill left the Commons.

They fear that the Government intends to make the derogation permanent.

Mr Barry Sheerman, a Labour Home Affairs spokesman, said it was "truly scandalous" for the Government to expect Parliament to pass a Bill which continued the controversial powers of detention without knowing what sort of subsequent changes might be introduced, and when.

Mr Hogg said that while the Government wished to introduce some form of judicial review into the procedure for extending detention, "complicated and wide-ranging issues" remained to be resolved.

Murdoch faces legal challenge to TV venture

By Raymond Snoddy

MR RUPERT MURDOCH faces a legal challenge to Sky Television, his planned satellite sports channel, from the European Commission less than a month before it is due to go on the air.

The Commission has served a formal statement of objection under the competition articles of the Treaty of Rome on the European Broadcasting Union (EBU), representing Europe's public service broadcasters, and on Mr Murdoch's News International, which is behind the satellite venture.

Eurosport, the planned sports channel, is a joint venture between about 12 EBU members, including the BBC and News International. Under the joint venture, the broadcasters will make rights to major European sporting events available to Sky Television and Sky will put up the money to run the channel.

The Commission says the joint venture contravenes the Treaty of Rome.

It is believed that a second statement of objection has also been served on the EBU, calling into question the structure of the *Eurovision link* – the programme exchange between Union members.

At issue is the extent to which private broadcasters can get access to programme rights. Private broadcasters have complained that they have been excluded from what they see as a club for public service broadcasters.

W.H. Smith Television – which runs Screen Sport, a European satellite sports channel which, like Sky Television, will use the Astra satellite – has lodged a formal complaint in Brussels against the EBU-Murdoch deal.

A formal statement of objection from the Commission is the first stage in taking legal action against what is seen as a breach of Community competition regulations.

Sky Television and the EBU are likely to contest the statement, pushing ahead with the channel while any legal process runs its course.

YOU CAN SEE WHY OUR PROFITS ARE UP. YOU JUST HAVE TO READ OUR STATEMENT.

For the full picture, read both.

Read our annual statement of profits, and our perennial statement of principles.

First, the results for the twelve months to October 31st 1988, as announced by First National's Chairman, Richard Langdon.

"We are pleased to report very satisfactory progress making 1988 another record year.

"Profits before tax at £68.7 million are up by 29% compared with the previous year.

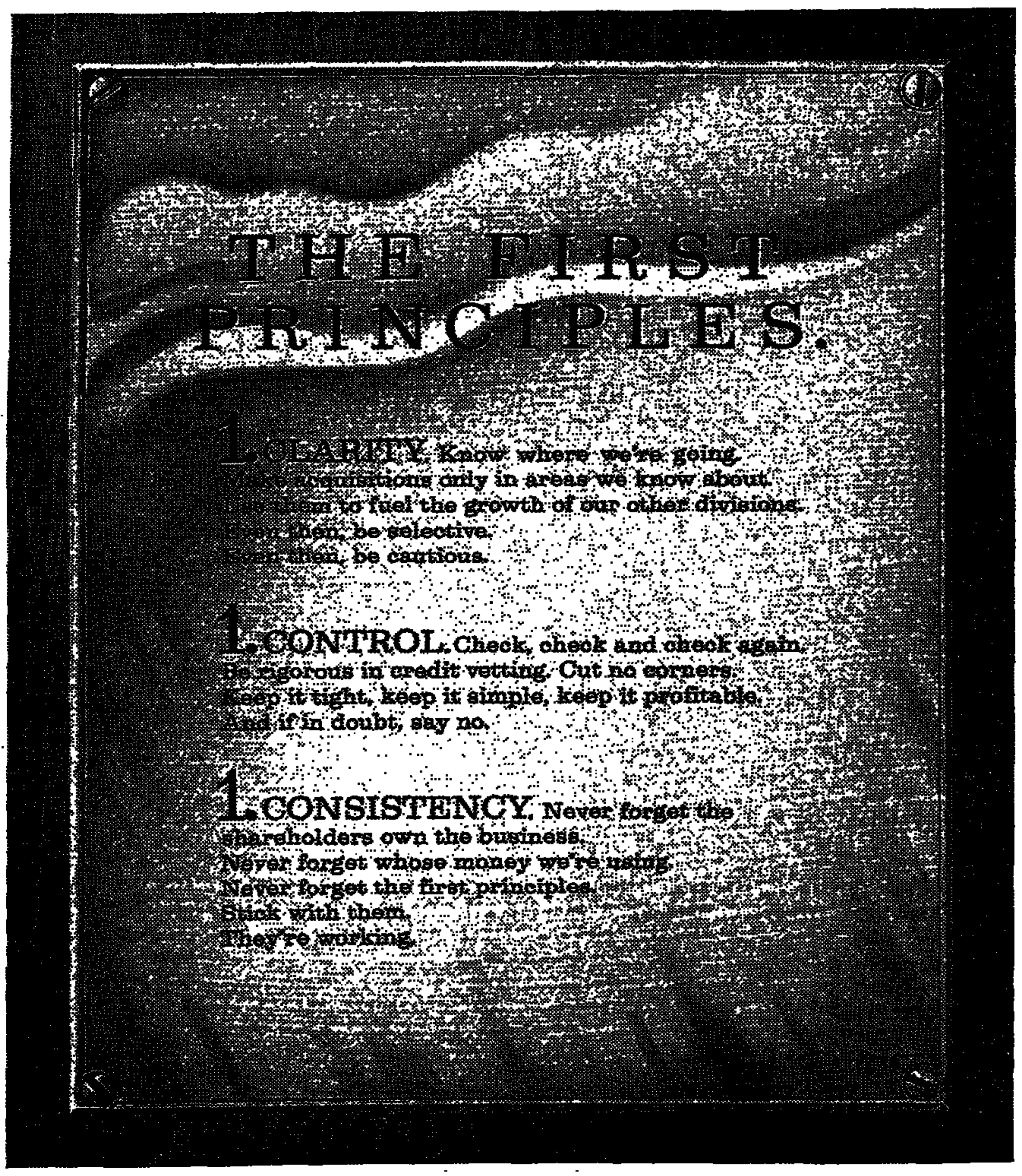
"The current results include a proportionately higher provision for taxation than last year due to a lesser effect of currently available tax losses against increased profits.

"Earnings per share at 35.2p are up by 14% compared with the previous year, after allowing for the increased effect of the tax charge this year.

"Having regard to the Company's consistent profit growth over a number of years and its substantial shareholders' funds, we consider that it would now be appropriate to allocate a higher proportion of available profits in dividends to shareholders, whilst maintaining adequate cover. We are therefore recommending a final dividend net of tax credit of 8.0p per share making a total of 11.5p per share for the year.

"This is 31% higher than the total for last year.

"Earning assets at the year end total over £1,300 million compared with £1,000 million at the end of last year and we expect further prudent growth in 1989".



This 29% rise is the fifth large increase in a row. In a supposedly unpredictable world, what accounts for such predictability? Is it luck, or is it judgement?

Our "First Principles" embody the answer. A précis of what analysts mean by the abstract phrase "strong management", they represent qualities which will increasingly be valued as less experienced competitors seek to enter the consumer credit market.

This is currently our largest business, and its health relies on the way in which our central principle "be rigorous in credit vetting" is put into practice.

We have more than 300,000 borrowers, all of whom are home owners. In assessing the prospective customer's ability to repay the loan, we spend three times the industry average. As a result we have an enviably low bad debt record.

But not all our business is in consumer credit. Over a third of our profits come from commercial lending and property development.

In addition variable-rate lending protects First National from rises in interest rates.

It is our growing strength which has permitted us to increase the dividend, allowing our shareholders to enjoy more of the success they have helped to build.

That, too, seems a worthwhile principle.

FIRST NATIONAL

Birmingham extends computerised bus stops

By Richard Tomkins, Midlands Correspondent

WEST MIDLANDS Travel, the main bus operator in Birmingham and the West Midlands, yesterday extended an experimental timetable information service – said to be the first of its kind in Europe – which cuts down waiting time at bus stops.

More than 250,000 households served by 5,000 bus stops in south and east Birmingham and Solihull will now have access to a system that enables them to dial a computer for up-to-the-minute information on bus arrivals.

All 5,000 stops in the area have been given individual telephone numbers, and people living on or near each bus route are being issued with directories listing the bus stop numbers.

Would-be passengers are advised to dial the number of their nearest bus stop before leaving home.

They then find themselves listening to a computer message giving the scheduled arrival time of the next two or three buses at the stop together with details of any delays.

Information about breakdowns, traffic jams and other delays is fed into the computer by West Midland Travel's control room, which in turn is in radio contact with the bus drivers.

The system, dubbed Travelphone 250, is already in use in North America. It has been bought from a Canadian company called Teleride-Sage of Toronto for an initial £100,000 a year for the first three years.

Its first trial in Britain began last year when West Midlands Travel installed it on eight minibus routes in Solihull. The bus company says it proved its success by attracting 22,000 calls in its first six months.

Shorts reports deficit of £142m as sell-off nears

By Michael Donne, Aerospace Correspondent

SHORT BROTHERS, the state-owned aerospace manufacturer in Belfast, reported an accumulated deficit of nearly £142.5m for the year to last March, in a deck-clearing exercise before privatisation later this year. The sell-off will involve a major capital reconstruction of Short Brothers.

This result was revealed by the company in its annual report for 1987-88, just as Kleinwort Benson, the Government's financial advisers, were sending preliminary details of the Short Brothers' financial position and industrial outlook, including the latest accounts, to prospective purchasers of the company.

Those prospective purchasers, believed to number between 20 and 30, have until February 10 to decide whether or not to buy Short Brothers as a single unit, retaining its aircraft, missile and aerostructures manufacturing units.

The list of potential buyers will have been reduced by springtime and a more detailed "mini-prospectus" will be sent to those left in the contest, with detailed formal offers being invited.

The Government aims to complete the sale of Short Brothers before the end of this year.

The company's annual report reveals that the trading loss amounted to just over £12m for 1987-88, compared with a trading profit of nearly £10m in 1986-87.

But special provisions of £95.6m, in addition to other items such as interest and research and development costs, brought the deficit to £142.5m.

The special provisions included a revaluation of stocks and work in progress, provision for potential losses on some aircraft and other sales, projected aircraft leasing losses and the costs of anticipated aircraft modifications and other items.

The report says these special provisions have been made "in the light of current commercial and market circumstances and strategic plans, including the move towards privatisation."

Mr Rodney Lund, chairman, in his statement accompanying the accounts, says Short Brothers has an order book of well over £1bn.

"However, it is also at the bottom of the world aerospace league of capital investment per employee, and has an inappropriate capital structure.

"The Government recognises that this is the case, and has indicated the company will be recapitalised before privatisation.

"I am hopeful that such recapitalisation will enable Shorts to develop its business after privatisation in a way that has not been possible while in the public sector."

Pointing out that many of the employees were nervous about privatisation, "understandably so, because it is the unknown," Mr Lund adds that he is convinced the company will benefit from the initiative of a new owner

"Done properly, I believe the privatisation should sustain employment and, indeed, should provide additional work for the province.

Mr Lund later added that the Government was now committed to the principle of selling the company as a single unit.

More financial charges 'likely'

By David Barchard

GREATER competition in the retail financial services market is likely to mean that consumers will end up paying direct charges for services at present provided free, says a report today by Mintel, the market research analysts.

Subscription fees for credit cards and fees for interest bearing current accounts are singled out by the report as two areas where charges would be most likely.

High overhead and development costs and stagnant customer bases are placing "a pincer-like squeeze" on financial institutions just as most of them are fighting both traditional rivals and interlopers to their markets, the report says.

Mintel believes that the balance of advantage has swung away from small and innovative providers of financial services because many channels of distribution have closed to them.

Middle-sized insurance companies and building societies which cannot afford to pay for product development are unlikely to survive long in the market by themselves and are likely to see mergers as the easiest way out.

Mintel predicts that by this Easter, virtually all building societies will have opted for tied status under the Financial Services Act when selling life assurance, because of the high cost of remaining independent.

Unit trusts are likely to face major pressures to concentrate. "A level of 1,200 Unit Trusts from 150 management groups is quite simply unsustainable," Mintel says. Providers of group personal pensions, solicitors and accountants, and high street retailers are likely to emerge as winners from competition in retail financial services.

Finance Review 1988, Mintel Special Report, available from KAE House, 7 Arundel Street, London WC2R 3DR Price £650

Community aid cash creates 5,000 jobs

By David Buchan in Brussels

BRITISH RAIL'S electrification programme is among several projects benefiting from the last £80m slice of aid paid out to the UK under the European Community's 1988 regional fund programme, it was announced yesterday.

The latest projects to be aided by Brussels will create nearly 5,000 jobs, while maintaining 2,000 other people in work, the Commission said.

This brings to £296m the amount that the UK has received from the regional fund last year, and to £5bn the amount that the UK has obtained since the fund was set up in 1975.

The grants include £7.64m for a range of industrial and infrastructure projects in Northern Ireland. Belfast Harbour Commissioners are to receive £1.8m for a modernisation and expansion programme at Belfast port and smaller grants have been awarded to the ports of Larne and Londonderry. A new visitor centre at Plymouth Hoe, Devon, will also benefit.

Stewardship of the EC regional fund has passed to Mr Bruce Millan, the UK's junior commissioner who last week took over responsibility for EC regional policies.

The start of his tenure coincides with reforms of all EC structural funds which are to be paid out in the form of bigger integrated development programmes. Among the first beneficiaries have been the regions of Strathclyde, in central Scotland and Humberside.

Equitable renews call for London Life merger

By Nick Bunker

EQUITABLE LIFE, the UK's oldest life insurer, will today throw its hat clearly into the ring in the battle for the future of its smaller rival, London Life, by issuing a statement that it is keen to reopen merger talks between the two mutual groups.

The move is designed to influence the outcome of London Life's second extraordinary general meeting on Friday January 27, when 66,000 policyholders will vote on London Life's own scheme for a merger with Australian Mutual Provident. As a mutual group, London Life is owned by its policyholders.

Officials at the Equitable feel that the vote must be seen as a referendum on the Equitable's own merger proposals as well as on those of AMP.

As one of the UK's most efficient life insurers, with an expense ratio of less than 10 per cent of premiums, the Equitable believes it could rapidly achieve cost savings for London Life policyholders of as much as £7m annually.

It argues that the two companies are natural merger partners because of their shared traditions as UK life companies paying no commissions to intermediaries.

Mr Barry Sherlock, the Equitable's chief executive, stressed he would not approach the London Life board directly, but, he said: "If the policyholders of London Life decide they are not happy with the AMP proposals, we hope their directors will approach us."

Mr Roy Ranson, the Equitable's assistant general manager, said: "We want London Life's policyholders to know that if they vote against the AMP merger, there is a lifeline available."

Senior officials at the Equitable say they first held merger talks with London Life as far back as 1986, when the idea was informally mooted by London Life.

The Equitable said it asked for a meeting in London in January 1987 which was attended by Mr Sherlock, along with Professor Roland Smith, its president, Mr Oliver Dawson, London Life's president and Dr John Evans, its managing director.

When the Equitable made clear that it would expect to be in control, the talks were broken off, but the two parties kept in touch and held further talks early last year which were abandoned when AMP appeared on the scene.

The Equitable, which ranks about 17th largest in annual premiums among the UK's estimated 160 life insurers, believes it could implement a merger by July 1.

The Equitable's statement today was agreed at a 90-minute board meeting last Friday which decided the group should raise its profile in the struggle for London Life.

It was prompted partly by merger documents produced last week by London Life, claiming that the Equitable would have "dismantled and dismembered" it after merger.

Stock Exchange amends rules to cure Big Bang 'weaknesses'

By Richard Waters

WIDESPREAD changes to the trading rules of the International Stock Exchange in London are being introduced in an attempt to cure weaknesses in the system introduced at the time of the Big Bang more than two years ago.

The proposed changes, approved yesterday by the exchange's ruling council, are intended in part to prevent business seeping away as large investors become disillusioned with the service offered them.

The existing trading rules increase volatility in share prices and lead to larger and hence less competitive spreads (the difference between buying and selling prices), the exchange said yesterday.

At the heart of the problem, ironically, are two rules introduced by the exchange to ensure a competitive and visible market. The first of these requires one market-maker to deal with another at the prices and in the volumes quoted on the exchange's automated quotations system, provided the second market-maker offers access.

The second rule requires market-makers to report transactions for immediate publication by the exchange, allowing others to see the prices at which deals are actually being conducted.

The largest securities houses claim that these rules have left them carrying considerable losses, since they allow others to load their own risks on to them.

In response, Phillips & Drew and BZW last year drastically reduced the size of transactions that they were *committed* to undertake at quoted prices.

According to critics, this undermined the visibility of the London market.

The exchange yesterday responded by announcing that market-makers would no longer be obliged to deal with each other at quoted prices, and that transactions worth more than £100,000 would not be published until the day after they were carried out.

Phillips & Drew was reported to have responded immediately by deciding to increase the volumes it quotes on the Exchange's system, but it could not be contacted for confirmation last night.

The Exchange agreed a package of other changes to its trading rules, including the requirement for transactions to be reported to it within 90 *seconds*, rather than the five minutes presently allowed.

Perkins boosts diesel production by 23%

By Nick Garnett

PERKINS ENGINES, part of the Varity group of Canada, raised production last year of completed diesels at its main site in Peterborough, north of London, by almost a quarter to the highest level since the turn of the decade.

The company said it was on target to build more than 179,000 complete engines by this month, the end of the company's financial year. This is an increase of 23 per cent on the 1987 total of 147,000 engines.

It is well short of production levels in the 1970's, however, which peaked at 269,000 units in 1976.

Perkins, which makes engines for trucks, buses, and general automotive, marine and industrial applications, has benefited from an upsurge in demand for diesels which is helping most European and North American engine-makers.

Cummins, the US company with production facilities in the UK, has also experienced a surge in demand but a recently reported poor financial performance reflects the severe price competition in the engine industry.

Perkins, which exports 85 per cent of output, has been aided by several measures it has taken in the UK, including better productivity, reductions in the labour force and new models.

Employment at Peterborough, where 2 to 10.5 litre engines are made, has fallen from 10,000 in 1979 to 3,500 now.

Overall, the Perkins group has spent £60m on new plant and equipment during the past five years.

Perkins' other engines businesses also saw significant production improvements. Its Shrewsbury plant which makes 12 to 26 litre units raised production by a fifth.

There was a more modest increase at L. Gardner near Manchester which makes engines from 10 to 15.5 litres.

Mr Peter Whitaker, Perkins sales marketing director, said demand had been particularly high for industrial and construction equipment applications which now accounted for 40 per cent of Peterborough's production.

He said that 1989 also looked good but sounded a cautionary note.

"The diesel engine business is an intensely competitive industry," he said. "There is still gross worldwide over-capacity, putting severe pressure on margins."

BZW cuts jobs in City

By David Lascelles, Banking Editor

BARCLAYS de Zoete Wedd, one of the City of London's most successful investment banks, became the latest to announce job cutbacks yesterday.

The company made 19 of the 430 people in its equity operations redundant, blaming the need to contain costs at a time when the markets are in the doldrums.

Those leaving include 10 market makers, five sales people, and four researchers. Eight of them are former partners of the stock exchange firms which Barclays Bank bought when it created BZW for the Big Bang two years ago. They will be redeeming shares in BZW which they received when their firms were bought.

BZW stressed that the redundancies represent an attempt to pare costs, and do not imply that it is withdrawing from any segments of the market. The company's professional payroll is still larger than it was before the 1987 market crash which has been widely blamed for the latest round of City job losses.

Rail crash criminal charges not ruled out

By Kevin Brown, Transport Correspondent

THE POSSIBILITY of criminal charges arising out of last month's rail crash at Clapham Junction, London, which killed 34 passengers, had not been ruled out, Mr Anthony Hidden, a barrister and inspector appointed to the crash inquiry, said at a preliminary hearing yesterday.

Mr Hidden said his aim was "to discover exactly what went wrong to permit this dreadful accident to happen," and "to demonstrate exactly what needs to be done to reduce the risk of a recurrence to the remotest degree humanly possible."

Mr David Latham, independent counsel to the inquiry, said at the hearing that evidence would be taken on the methodology, organisation and implementation of changes to the signalling system which were taking place at Clapham when the accident occurred during the morning rush hour on December 12.

Formal hearings will begin on February 20.

An internal BR inquiry has already concluded that the accident was caused by the defective installation of signalling equipment, combined with the failure of a fail-safe mechanism which should have stopped all trains in the area.

The internal inquiry report is thought to call for disciplinary action against some staff. However, BR has decided to delay any action until after the conclusion of the public inquiry.

Mr Latham said that evidence would be taken on the progress of the signalling work, including earlier problems, and on training and staffing.

However, there was no indication of whether the inquiry will consider wider issues such as overcrowding on trains, and the use of ageing rolling stock without modern safety features.

These are among a list of 50 issues submitted by the Central Transport Consultative Committee, the statutory railway watchdog, which Mr Hidden said he was still considering.

There has also been pressure from the railway unions for the inquiry to consider the effects on safety of alleged underfunding of British Rail by the Government.

Mr John Prescott, the opposition Labour Party's transport spokesman, said after the hearing yesterday that passengers had a right to know whether overcrowding contributed to the scale of the disaster.

"If it did, the inquiry must consider how British Rail – and the Government – have allowed our railways to deteriorate to breaking point."

Council snubs Chunnel rail link

By John Hunt, Environment Correspondent

FOUR possible routes proposed by British Rail for a high-speed line across Kent to link London to the Channel Tunnel at the port of Folkestone were rejected on environmental grounds in a Kent County Council report yesterday.

The report accepts the need for a Chunnel rail link across the county, but urges that British Rail be asked to propose a new route which satisfies a list of environmental criteria.

The report, by the council's senior officers, looks certain to be accepted by the council's Development, Planning and Transportation Committee next week and so become official policy.

The proposed routes would entail the destruction of hundreds of houses and run through areas of natural beauty. Two run north of Maidstone and Ashford and two to the south of these towns.

Mr Michael Odling, committee chairman, said: "The BR proposals are just not acceptable in their present form. They must take a very careful look at the criteria, listen carefully and return to this anew."

The decision to oppose the BR routes follows an assessment commissioned by the council from G Maunsell and Partners in association with Steer Davies and Gleave. This found that the rail traffic through Kent resulting from the tunnel will be higher than BR projections.

British Rail suggests that there will be between 12.7m and 13.4m trips annually on such a line in 1993. The council's study suggests the figure would then be between 14m and 15m trips. This would rise, says the council, to between 18m and 19m by 2003 if existing lines are used for a high-speed train, and 20m to 21m if a new line is built.

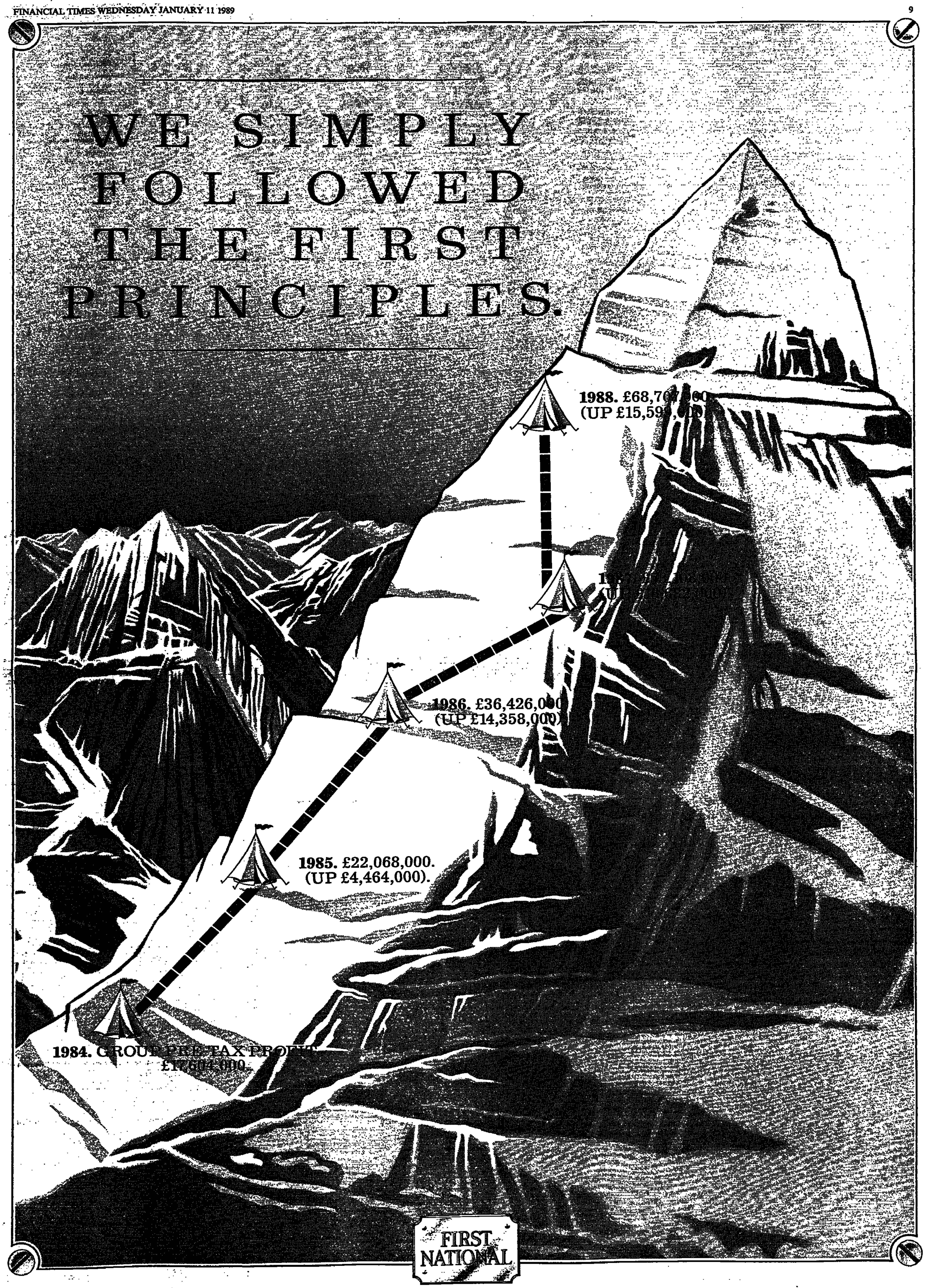
The environmental criteria which the council proposes any route should satisfy say there suggest that existing rail corridors should be used as far as possible to minimise damage.

Future status of Prestwick may be in doubt

THE future of Prestwick airport as Scotland's only gateway for long-haul flights appears in doubt after a call yesterday by Sir Norman Payne, chairman of BAA, for the Government immediately to review its status, writes James Buxton.

Sir Norman said that the airport, 40 miles from Glasgow, did not appear to have established itself with the air transport industry or with the Scottish community.

Air traffic between Scotland and places outside Europe is at present prohibited from using Glasgow and Edinburgh airports. This is blamed for the fact that there are few long-haul flights from Scotland, because Prestwick is inconvenient for most Scots and has no air feeder services.


WE SIMPLY FOLLOWED THE FIRST PRINCIPLES.
1986. £36,426,000
(UP £14,358,000)
1985. £22,068,000.
(UP £4,464,000).
1984. GROUP PRE-TAX PROFIT
FIRST NATIONAL

MANAGEMENT

Hinari

When structure chases growth

James Buxton explains the Scottish consumer electronics company's attitude to strategic planning

Hinari sounds like a Japanese company. It is in fact the deliberately Japanese-sounding name of a Scottish company which claims to be the UK's fastest growing consumer electronics concern.

Hinari is a producer of televisions, video recorders, compact disc players and hi-fi equipment. Like Alan Sugar's Amstrad, which it resembles on a small scale, it does not manufacture in Britain, though it is shortly to start doing so on a small scale. Instead it designs its own products and has them manufactured to its own specifications in the Far East.

In the current financial year, which ends next month, Hinari expects to record sales of almost £70m, a 75 per cent jump from the £39.4m it made in 1987. It expects to make gross profits of about £10m. The company was only founded in 1985, a year in which it had sales of £14.5m. In the year to February 1989 it expects to sell about £120m.

Yet despite its impressive growth to date Hinari only last year acquired the type of management structure one might expect for an organisation of its size.

It appointed its first finance director, Douglas Macneill, in August and brought in a marketing director, Ian Collier, in October to take a broad view of product strategy. The business was split into three profit centres for different retail market areas, each with a general manager and accountant.

In a business where companies have often suffered from a reactive approach to the problems of rapid growth, Hinari is candid about its potential weakness. Its creator, a sunny-natured 43-year-old Liverpudlian named Brian Palmer, admits: "Our very fast growth is our Achilles heel."

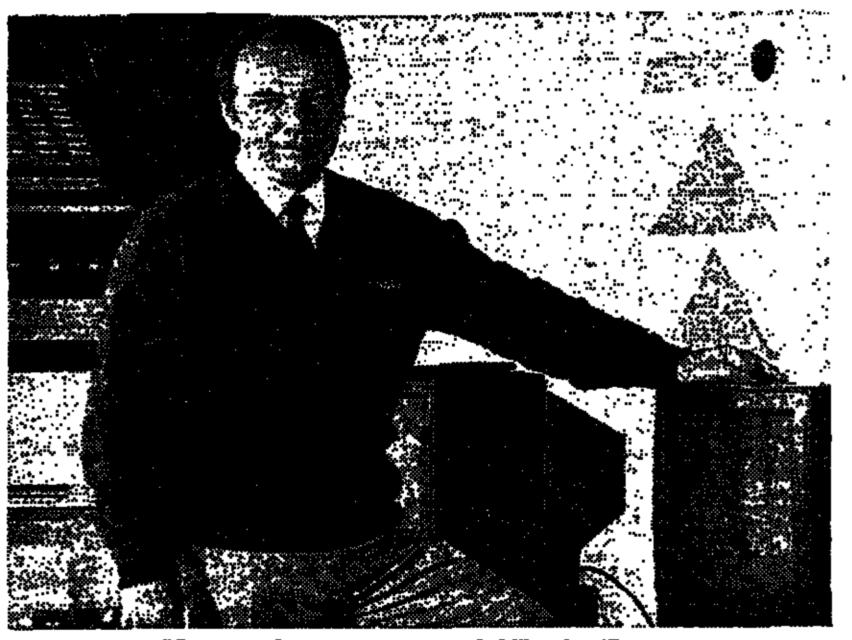
At the same time he shows no sign of wishing it to be any slower and is busy expanding in continental Europe. But he also wants to establish Hinari as a name for quality and innovation that could ensure that it is around in 20 years' time. He wants to prevent Hinari being seen as a company that simply brings out cheap and cheerful "me-too" versions of other people's products.

"Hinari is a young company but it is the fruit of the 20 year apprenticeship I served running retailing and wholesaling businesses in consumer electronics," he says.

He sees himself exploiting an opportunity which exists alongside the very large multinational manufacturers for "people who have inside knowledge of the retail business and of what consumers in Britain and the rest of the EC actually want."

The company is therefore market-led, with Palmer using his intuition to decide what products to make. He outlines his idea to a very small team of designers who work out what it will look like on the outside. Then the electronic engineers fit the components into the box. Hinari spent about £500,000 on research and development in 1988 – just 0.7 per cent of turnover and a very modest proportion compared with many manufacturing companies.

The technological innovations that make Hinari products possible are the integrated circuits developed by companies such as Mitsubishi in the Far East. But there is room for Hinari to innovate in what it chooses to introduce in the UK.



Brian Palmer: "Our very fast growth is our Achilles heel"

For example, Hinari will shortly come out with its Disc Deck, a long, slender panel mounted on a pedestal incorporating a compact disc player, cassette deck and radio, but no record turntable. "A lot of young people nowadays don't have any records," explains Palmer. The Hinari Disc Deck will cost from £199.99. He believes it is the first of its kind.

Nevertheless Bob Whisken of the electronic consultants BIS Mackintosh says that any good product innovation will be matched by Far Eastern producers in a matter of months. "There is nothing new under the sun," he says. More important for companies like Hinari is to have a firm grip on the retail system, he thinks.

Hinari's manufacturing is co-ordinated from its office in Hong Kong, where the technical director, Ulli Reuter,is based. Manufacturing contracts are made with companies in Japan, South Korea, Taiwan and Hong Kong, and supervised by Hinari's 14 production inspectors, who, Palmer says, have been known to fail up to 20 per cent of some shipments. The products are then shipped to Europe.

However, in the next few months Hinari expects to start making part of Disc Deck production in Scotland. "It's mainly for political reasons that we will be assembling here," Palmer says. It will make it easier to sell the product in countries such as France.

"What's gone wrong with consumer electronics manufacturing in the UK is that the basic infrastructure for supplying components has disappeared. For example, you can't buy a 14-inch TV tube in any quantity in Europe. The Far East is simply a far more competitive place to buy components."

Even so the Far East can also throw up problems. Last year Hinari was unable to satisfy all its demand because Far Eastern companies wanted 12 months instead of nine to develop new products, and were not able to manufacture in sufficient quantity.

It was partly because of product development problems in the Far East that Hinari set up its in-house R and D operation.

Hinari is careful to sell through reputable dealers in order to try to keep the image of the company's products from being compromised. As well as supplying products under retailers' own labels, it sells through chains such as Boots, House of Fraser, Dixons, Currys, the Co-Op and many others, but avoids retailers involved in very heavy discounting.

The company is now exporting to Spain and West Germany and soon plans to set up subsidiaries in France and Italy. By the end of 1988 Hinari had derived £10m from sales outside Britain.

Yet Hinari even now only employs 90 people – although that is twice the number of a year ago. The company obtained £4m in new capital in mid-1988 from a syndicate led by merchant bankers Hill Samuel, which acquired 14.4 per cent of the equity. The share issue reduced Palmer's personal stake from 85 to 75 per cent – the rest is held by three senior executives.

Finance has so far been organised remarkably simply. Hinari likes to get orders from retailers which have a strong reputation with the banks, raise letters of credit against them, and thus finance production. It tries to keep stock levels as low as possible.

"When we began in 1985 I bought the product, sold it, wrote out the invoices by hand and collected the money myself," says Palmer.

The upgrading of the company's structure coincided with Hinari's move into a purpose-built 40,000 square foot facility in Cumbernauld near Glasgow which constitutes the head office and showroom for corporate customers. Palmer made Scotland its location partly because he had already been operating his retail business there and because he and his wife prefer to live there.

Initially, Cumbernauld was planned in mid-1987 as a facility to manufacture video recorders in a joint venture with Shintom of Japan. However, it is an illustration of how the company's planning has failed to keep pace with growth that the deal fell through when it emerged that these products were not, as had been thought, threatened by imminent EC anti-dumping action.

More recently it was decided to make the Disc Deck at Cumbernauld. However, Palmer says that because of lack of sufficient space the Disc Deck may now have to be assembled at Hinari's original plant in Glasgow, where it makes domestic appliances such as kettles.

"You can't manage growth," he maintains. "You can't always predict what's going to sell on a large scale." He admits that a very large company would be able to make longer term plans and increase its operations in a more orderly way than Hinari has been able to do.

Among the other possible pitfalls of fast growth is the risk of hitting on a product that doesn't sell. "We've had products that didn't move as well as we'd hoped, though we've got nothing at the moment that isn't moving well. Any product can be slow if you buy too many of them," he says.

But Whisken at BIS Mackintosh believes that the UK consumer electronics market is so large (about £4bn in 1987) that a manufacturer with a slow-selling product is almost certain to be able to dispose of it at some price, rather than having to write off stock – a fate which often hits companies in the data processing equipment industry.

Mission accomplished — or ignored?

Michael Skapinker on the worth of companies' stated aims

The duty of the manufacturer is to serve the foundation of man's happiness by making man's life affluent with an inexpensive and inexhaustible supply of life's necessities. Matsushita, the giant Japanese manufacturer of electrical products, gives this as its purpose in life.

Westerners might snigger, but some of their own companies define their own role in remarkably similar terms. J Sainsbury, the British retailer, states that its aim is "to discharge the responsibility as leaders in our trade by acting with complete integrity, by carrying out our work to the highest standards and by contributing to the public good and the quality of life."

What is the point of these portentous announcements? Should smaller companies which aspire to be a Matsushita or a Sainsbury draw up mission statements of their own?

Andrew Campbell of the Ashridge Strategic Management Centre began a study of company mission statements a year ago. He rapidly concluded that mission statements on their own were of little value. There were companies with a strong sense of purpose and a committed workforce which had never seen the need to have a mission statement.

There were, on the other hand, "companies with a mission statement and nothing to look forward to but death in a few months' time."

Mission statements are only likely to be effective when the company already has a sense of mission, he says. "You probably don't want to write down your values until you have lived them," he says.

If a company does not look after its customers and does not pay its suppliers on time, a mission statement promising to do so will probably be ignored by employees.

One of the companies he studied drew up a mission statement which promised its employees security of employment. Eventually, however, difficulties in one of its markets forced it to lay off employees. It amended its mission statement to say that it would offer greater security of employment than other companies in the same industry. Changes of this sort inevitably damage the credibility of mission statements.

Rather than trying to write a statement, Campbell believes that companies should spend their time formulating a sense of mission and persuading employees of its validity, a process which is likely to take years rather than months.

In defining their mission, companies should address themselves to four issues, Campbell says. The first is to establish the purpose of the company, to provide some explanation of why the organisation exists.

Some companies are dedicated to serving their shareholders. Lord Hanson, eponymous chairman of the international industrial conglomerate, says that "it is the central tenet of my faith that the shareholder is king. My aim is to advance the shareholder's interest by increasing earnings per share."

Others undertake to balance the interests of shareholders against those of employees, customers or suppliers. Lex Service says: "We will exercise responsibility in our dealings with all our stakeholders and, in the case of conflict, balance the interest of the employees and shareholders on an equal basis over time."

The second aspect of corporate mission is the organisation's strategy – a description of its business and activities and the position that it wants to achieve in its field.

The organisation's values are the third component of the sense of mission. How does the company intend to treat its employees, customers and suppliers?

This is where companies might promise to provide their employees with all the training they need to do their jobs properly, to provide their customers with safe, high quality goods, and to pay their suppliers promptly.

The fourth aspect is to ensure that the organisation behaves in the way that it promises it will. If the company undertakes to treat its staff properly, it needs to ensure that its managers are given the training and resources to carry out that policy.

Why is it important to develop this sense of mission? Is it not sufficient for companies to ensure that they are profitable enough to provide a decent return to shareholders and ensure that their employees continue to have jobs?

No, says Campbell. "People are more motivated and work more intelligently if they believe in what they are doing and trust the organisation they are working with. Psychologists and organisational behaviourists recognise that most people are searching for meaning in their life. If an organisation can provide meaning for an employee on top of pay and conditions, it will inspire greater commitment and loyalty."

"Organisations with clear values find it easier to select, recruit, promote and develop the right kind of people. In part it is a process of self-selection. Individuals who do not agree with the organisation's values will choose to leave. But it also gives the selectors and developers an additional set of criteria [shouldn't this be criterion?]: does this person embody the values we believe in?"

The mission should be written down only when it is well-established and understood. "There are plenty of ways of generating cynicism in organisations and writing mission statements is one them," Campbell says.

TECHNOLOGY

Artificial skin offers an alternative to tests on animals

Peter Marsh uncovers developments that could help check the safety of drugs and cosmetics

Scientists are trying to replicate human skin in an effort to find an alternative substance for testing drugs and cosmetics. The use of artificial skin could both cut development costs and reduce the need to use animals in toxicology trials for such products.

The new substances could also replace natural human skin for grafts – in the case of burns victims, for example.

According to Ron Cohen, vice president of Marrow-Tech, a company in New York seeking to make laboratory-produced skin, sales of skin substitutes for drugs and cosmetics testing in the US could total several hundred million dollars a year by the mid 1990s.

Apart from Marrow-Tech, two other US companies – Organogenesis of Massachusetts and Clonetics, based in San Diego, California – are also attempting to develop versions of human skin.

In each case, the skin replacement work is based on novel methods of growing human tissue outside the body.

Assuming the research reaches fruition, the tests involving skin substitutes could replace many of the trials on animals which drugs and cosmetics companies have to undertake to ensure that their products are safe.

Such animal trials are inherently expensive, due to the cost of rearing creatures like mice and dogs. They also offend many people, who fear that the animals may be exposed to unnecessary suffering.

Duncan Moore, a healthcare analyst at the London office of Muir-Carby Bottkjaer, a US stockbroker, says the idea of using skin substitutes in place of animal testing is appealing. But he warns that several of the companies developing these products still have tough technical hurdles to overcome.

All three US companies take ingredients of natural skin and mix them in the laboratory under conditions that promote cell growth. The products have to be kept in a cocktail of chemical nutrients to substitute for the natural substances which, in animals, are carried by the bloodstream to the skin to keep it alive.

Especially difficult is the task of growing the two separate films which comprise normal skin. The topmost layer – the epidermis – is about 100 microns (millionths of a metre) thick. It contains the upper parts of sweat glands and hair follicles and acts as the basic shield between the body and the outside world.

The bottom layer – the dermis – is about 10 times thicker and is much more complex biologically. It contains a different mixture of cells and proteins and is responsible for skin's tensile strength. The wrinkles that come from natural ageing are the result of the dermis slowly wearing out.

Marrow-Tech bases its ideas for growing a three-dimensional skin structure on an ultra-fine nylon mesh with pores which are a few hundred microns in diameter. This is similar to growing, on a miniature scale, a three-dimensional array of beans on a garden frame.

The starting materials for Marrow-Tech's process are a variety of cells and proteins, and a substance called skin stroma – interconnecting tissue found in ordinary skin. According to Cohen, the genetic material in the stroma is responsible for guiding the cells in the correct way so as to produce both dermis and epidermis as in human skin.

Marrow-Tech intends to use its stroma-based technology to make other kinds of human tissue – bone marrow and liver tissue, for example. In each case the process would be similar, though the starting mixture would need to contain stroma appropriate to the part of the body being reproduced.

The approach by Organogenesis, which was set up by scientists at the Massachusetts Institute of Technology, differs in that the company is attempting to grow skin based around fibres of collagen – a naturally occurring protein found in the dermis layer.

Eugene Bell, chairman and chief scientific officer of Organogenesis, says that the company has used this technique to create pieces of substitute skin about 3 cm square which are available for trials. He expects commercial versions of the skin-equivalent to enter the market soon, although he does not want to discuss their likely price.

Clonetics, unlike the other two companies, is already selling products. These are not, however, true skin substitutes but types of skin cells, grown in a special medium, which are a long way short of either looking or acting like true skin.

Researchers in the drugs and cosmetics industry can, however, buy from Clonetics a flask of skin cells, kept alive in a nutrient, for about $250 (£140) which they can use for testing new products to assess their effects on the human body.

Clonetics – which hopes in the 1990s to move into the business of making true skin equivalents – is also selling other cell cultures which replicate the conditions in the tissue lining the insides of arteries. Scientists trying to combat heart disease are finding these cells useful for testing pharmaceuticals which modify the operation of the body's cardiovascular system.

Mains route to meter reading

The Mainsborne Telecontrol system, which uses the electricity mains as a two-way information carrier for remote meter reading and energy management, is to undergo a new trial in south London.

Two thousand households will test a Mark Two version of the Mainsborne customer unit developed for the Electricity Council by Thorn EMI, the UK electronics company. The original version was tried in 1,000 homes in London and Milton Keynes between 1984 and 1986. Although that trial was a success, it showed that some technical improvements were required before the system could be scaled up.

The electricity mains are far from an ideal communications medium because the current flowing through the cables creates interference. Thorn EMI has tackled this problem by adopting a military communications technique called spread spectrum signalling. It uses a frequency range hundreds of times wider than the data would normally require, so that the overall message survives when part of the bandwidth is obliterated by interference.

Even so, messages were sometimes lost at peak periods during the first Mainsborne trial. This time some of the home units will act as repeater stations, re-transmitting messages to the other units.

The system has also been redesigned to comply with all European and international electrical standards. Thorn EMI says that utilities outside the UK are interested in Mainsborne. Electric companies in other countries have experimented with signalling through the mains but their development work is less well advanced.

In the south London trial, due to start in 1990, the Mainsborne units will be connected to the customers' electricity meters and will send readings back to the London Electricity Board (LEB) whenever the engineers transmit a signal calling them up. The same units are capable of reading gas and water meters remotely, so the system could eventually eliminate the traditional quarterly call of the human meter reader. It will also detect faults and tampering with meters.

The Mainsborne display unit will tell customers how much they owe the LEB, the rate at which they are consuming electricity and the likely size of their next quarterly bill. Evidence from earlier trials shows that some people use electricity more economically if they can "see" how much they are consuming.

At the same time, Mainsborne will enable the LEB to offer customers cheaper electricity when demand is low. And signals can be sent to switch off certain appliances such as water heaters at times of peak demand. This "load management" should result in lower bills for the customer and reduced generating costs for the utility.

Although Thorn EMI welcomes the £1.6m contract for the south London trial as a sign of the UK electricity supply industry's commitment to Mainsborne technology, the company had been hoping for a much larger order. Engineers at the Electricity Council wanted to spend £25m on a full-scale Mainsborne system involving 200,000 homes, but that was ruled out because of uncertainties about the future shape of the industry. (According to the Government's privatisation plans, the Electricity Council will be replaced by a new co-ordinating body for the distribution companies.)

The appeal of Mainsborne for the electricity supply industry is that it uses its own cables and does not rely on anyone else's system. From the technical point of view, however, it is easier for utilities to use the telephone network than electricity cables for remote meter reading. The phone system is, after all, designed for communications whereas the mains are designed to carry power.

Several US utilities read meters with "no ring dial up" technology, which is based on the trial calls used by telephone engineers to test customers' phones without making them ring.

In the UK, telephone-based remote meter reading has made little progress since a successful trial in the mid-1980s – partly because British Telecom and the utilities have been unable to agree on terms for future development work. But Thames Water may adopt a telephone-based reading system in the near future for one of its water metering trials.

Clive Cookson

Simulated disaster will test the handling of a flood of calls

TOMORROW the Home Office and the Association of Chief Police Officers (ACPO) will simulate some of the repercussions of an aircraft crash in the UK to test a computerised method of handling the flood of telephone calls that such emergencies generate.

The project could lead to the introduction of an easy-to-remember "disaster" telephone number. At the moment – as in the aircraft crashes at both Lockerbie and Kegworth – specific information numbers are released ad hoc to the public.

The trial, called Exercise Comtest '89, will imitate the way telephone inquiries inundate the emergency numbers following a major accident. The simulation, planned since 1987, bears a chilling resemblance to the crash of the Boeing 737 aeroplane on the M1 motorway in Leicestershire on Sunday.

In the fictitious disaster, an imaginary DC9 aeroplane en route from Leeds/Bradford airport to London Heathrow develops engine problems and is diverted to Luton airport. On the way the aircraft crashes on to the London St Pancras to Sheffield railway line at 9.20 am, derailing an InterCity 125 train. The dead and injured aboard the aircraft and train number more than 200.

At 10 am an emergency number is given out, triggering thousands of calls from worried relatives and friends. Their roles will be played in the exercise by members of the emergency services and Red Cross around the country.

The calls will be handled by more than 200 telephonists from Telephone Marketing Services (TMS), part of British Telecom, at the company's telephone nerve centre in Bristol. The Home Office, which is funding the exercise, expects more than 4,500 calls to be answered during the four-hour test period.

The calls will be put into a queue and answered in rotation by the telephonists. Automatically displayed on their computer screens is the information which will be used to answer queries. So, in the case of the imaginary accident, the telephonist will have the aircraft's passenger list, details of casualties, names of the hospitals handling them and so on.

Some of the inquiries made by the callers will be scripted, others will be ad libbed. Many of the callers will be asked to take on the role of hysterical relatives.

As the callers are given the required information, the telephonists record their names and queries on their computer terminals. That data is then fed automatically to two centres in Bradford and Bedford.

In Bradford, the data is collated on a McDonnell Douglas computer system called Crisis (casualty recording information sorting and identification system).

In Bedford, the information is printed out and recorded manually on paper files. The paper-based information is then compared with the computer data and the scripted telephone conversations to weigh up the speed and accuracy of the computerised and manual systems.

TMS's usual line of business is answering telephone inquiries for companies which place one of the TMS telephone numbers on their advertisements.

Notably, it has dealt with inquiries about share flotations, including those of British Petroleum, British Steel and its own parent company British Telecom.

Several further simulations will be carried out by the Home Office and ACPO during the year. One of the issues still to be considered by the authorities is whether callers would have confidence in information available from a central number, or whether they would prefer to ring one local to the incident.

Della Bradshaw

JOBS

What companies pay for good performance

By Michael Dixon

THE LAST time the table alongside appeared in the Jobs column, three managers from big companies rang up in medium to high dudgeon. Each had received a cutting of that day's article anonymously adorned with typewritten comments. The briefest of the remarks (with expletive deleted) read: *Now we know what the company really thinks of us!*

The cause of the trouble was obviously the table which shows the premiums employing concerns pay, on average, for good as distinct from merely acceptable work by staff originally recruited as graduate trainees. The senders of the cuttings must have looked at the figures, compared them with their own pay, and taken umbrage. In consequence the three managers were taking me to task for unreasonably sowing discontent in their outfits.

They did so justly. For, daftly assuming that readers would be aware of the shortcomings of pay surveys, I had failed to spell out that the figures in the table are far from precise enough to support personal comparisons. For one thing, they refer to Britain as a whole. There is no indication of regional differences even though the pay of individuals doing similar jobs often depends much on whether they are working in a high-cost or low-cost area.

Today's table, like last time's, is compiled from the study of trends in graduate employment made by the PA Consulting Group (the full report can be obtained from Jenny Ward at 60a Knightsbridge, London SW1X 7LE; telephone 01-235 6060). The survey covered 153 concerns, most of them big and with widespread activities.

The figures, all averages, are broken down by sector. We start with forecasts, where available, of salaries to be paid to recruits joining after winning a bachelor's degree later this year. Next come the salaries paid to graduates engaged in 1988.

Then we turn to degree-winners recruited in earlier times (and of course at lower starting salaries). The rest of the table shows the previous recruits' typical total cash pay – salary plus bonuses – first after one year's service, second after three, and lastly after five. A distinction is made between staff judged "adequate" in being just average workers, and the "high-flying" judged at least better than average.

	Average start pay:		*Pay progress of adequate and high-flying staff:*					
			After 1 year:		*After 3 years:*		*After 5 years:*	
Sector of employment	forecast for 1989 £	actual in 1988 £	adequate £	high-flying £	adequate £	high-flying £	adequate £	high-flying £
Banks & building societies	9,233	8,997	11,790	13,012	13,640	17,513	16,876	23,063
Distribution and retail	9,417	8,963	10,507	11,161	14,428	16,101	18,950	21,664
Food, drink and tobacco	10,567	9,825	11,157	11,405	14,635	16,475	17,344	21,304
Professional services	—	8,938	10,412	10,794	14,916	15,783	19,041	20,442
Oil and gas	11,859	10,955	10,369	11,852	12,975	15,084	15,176	19,048
Public services	—	8,647	8,632	10,122	11,494	13,517	15,008	18,783
Insurance	9,769	9,146	10,210	10,873	12,492	14,820	15,365	18,250
Computers and electronics	10,231	9,586	10,874	11,359	13,145	14,964	15,191	18,094
Manufacturing except eng'g	9,940	9,340	10,327	11,263	12,030	13,464	13,770	16,206
Chemicals and allied	10,218	9,500	10,329	10,775	12,606	13,740	14,402	15,495
Engineering (incl motor)	9,563	8,917	9,936	10,485	11,670	12,557	12,567	14,515
Overall	9,996	9,346	10,484	11,120	12,934	14,781	15,331	18,094

While too broad to justify individuals in taking up the poison pen, the findings surely support the view that the value set on good work differs acutely with sector. Premiums paid to high-flying over adequate after five years vary as follows:

Sector of employment	%
Banks & building socs	36.7
Oil & gas	25.5
Public services	25.2
Food, drink, tobacco	22.8
Computers, electronics	19.1
Insurance	18.8
'Other' manufacturing	17.7
Engineering inc motor	15.5
Distribution & retail	14.3
Chemicals & allied	7.6
Professional services	7.4
Overall	18.0

The main surprises for me in that list are the high place of public services, and the bottom slot of professional services such as accountancy and consulting concerns.

Another oddity is that the extra value the sectors set on good performance does not seem to be linked with their ability or willingness to retain graduate staff. The percentages still employed five years after being taken on – except for professional services whose retention rate isn't available – were:

Sector of employment	%
Banks & building socs	46
Oil & gas	72
Public services	45
Food, drink, tobacco	44
Computers, electronics	57
Insurance	61
'Other' manufacturing	53
Engineering inc motor	44
Distribution & retail	49
Chemicals & allied	58
Overall	52

Technical chief

HEADHUNTER Tim Wilkes of the A T Kearney consultancy has been asked by ICL to find a technical director for its product operations group, one of five main operating divisions.

The responsibilities include serving as one of ICL's leading authorities on such topics as the integration and future architecture of systems. So the job requires a deep and up-to-the-minute understanding of relevant technologies.

Since the newcomer will have a key role in strategic management, candidates additionally need a keen appreciation of the markets for the group's products and demonstrably well developed skills of planning, diplomacy and communication.

No salary is quoted, but my guess would be at least £55,000. Whatever it is, however, the other benefits will include a handsome bonus on results. Base Manchester or Thames Valley.

Inquiries to 130 Wilton Road, London SW1V 1LQ; tel 01-834 6886, fax 01-630 6645.

RECRUITER Andrew Pye of Noel Alexander Associates (91 Gresham St, London EC2V 7BL; tel 01-796 4322) seeks a multilingual research ace for a London consultancy he may not name. He will respect requests not to be identified to his client as yet.

The prime task is to develop a database covering financial products on the market, especially in Europe. Candidates should have at least two years' success in comparable work.

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Corporate Finance
European Investment Bank

Our client is one of the largest and most highly regarded investment banks in London, with an impressive capital base and a world-wide banking network. The corporate finance department serves a large and growing list of corporate clients offering expertise in every kind of corporate financial activity. This includes flotations, mergers and acquisitions, equity financing and defence work. The organisation is fast becoming a major player in the corporate finance arena and, as a result, is experiencing a period of major expansion. This has led to a demand for individuals at all levels.

AD's/Managers

£30-65,000

They seek to recruit several individuals with between two and four years' directly relevant experience from other leading UK, US or European institutions who will have had responsibility for structuring and running deals.

Rewards are excellent, prospects clearly defined and bonuses high.

Executives

Recently Qualified ACA/Lawyers

£25-30,000

In addition to having first class academic qualifications, candidates will need to be commercially oriented and highly ambitious. Wide ranging experience and excellent promotional prospects are offered and these roles should appeal to individuals seeking a long term career move.

For further discussion regarding these positions at this prestigious institution, please call **Paul Wilson** or **Penny Bramah** on **01-831 2000** or write to them at **Michael Page City, 39-41 Parker Street, London WC2B 5LH.**

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

MANAGER — MARKETING

£45,000 + Benefits
Age 28-40

Our client is a leading International bank with a profitable and well-established presence in the UK and other world markets.

As part of a major expansion programme, they wish to recruit a highly motivated and sales orientated Marketing Officer to establish a full range of Marketing facilities.

Candidates' enthusiasm and communication skills must be supported by several years' experience of developing and selling financial products to Institutions within a banking environment.

The position calls for a confident personality, not only capable of training and managing a small team but also willing to adopt a "hands-on" approach to direct negotiations with clients for new business.

For the right applicant our client is prepared to offer a generous and competitive benefits package and excellent career opportunities.

CREDIT MANAGER

£35,000
Age 30-40

Our client, recognised as one of the leading International banks, seeks to strengthen its Credit resources through the recruitment of an experienced Credit Manager.

The successful candidate will be a graduate with a minimum of 8 years' in-depth analysis experience gained within a banking environment.

Working closely with the Marketing Executives, you will be responsible for the preparation of timely and concise financial proposals and presentations to the Credit Committee.

A creative but professional approach to business and exceptional communication skills are necessary along with the proven ability to manage and develop a small team.

There are obvious opportunities for career development and the benefits package will reflect the importance attached to this position.

Please telephone **Mrs Joan Woods, 01-236 1113,**
or write enclosing a full CV to her at Portman Recruitment,
15 Great Saint Thomas Apostle, London EC4V 2BB.

PORTMAN
EXECUTIVE BANKING

COMPLIANCE MANAGER

A key role in a dynamic business

c. £25,000pa + car + finance sector benefits. West End.

At Prudential Holborn we insist on the highest professional standards. So do our discerning clients – people with high disposable income who seek innovative savings and investment products to meet their individual needs.

Compliance with the complexities of the Financial Services Act is crucial both for day-to-day operations and the development of new products.

The Compliance team at our prestigious West End offices reports directly to the Chief Executive and it is here that we now seek a part or fully qualified Lawyer or Accountant with Financial Services experience to assist the Compliance Officer, Rory MacLeod. Your brief will be to interpret the Financial Services Act and the rules of LAUTRO and IMRO, and apply them to the Prudential Holborn group of companies, which carry on Life Assurance, Pensions, Unit Trust and PEPs business. This is frequently a high pressure role, analysing complex technical topics against deadlines and providing clear, concise consultancy to non-technical people. This will involve advising on and approving advertisements for the full range of financial products, reviewing and updating compliance procedures and travelling to branches to ensure adherence to the procedures and to provide guidance.

We are looking for a fluent and articulate communicator with 2-5 years' experience in a legal, audit or compliance role. You must be abreast of all recent legislative changes and fully aware of their implications. Experience of the Life & Pensions/Unit Trust industry would be ideal, although a broader Financial Services background would be acceptable so long as you have a thorough understanding of its legislative framework.

Salary will be around £25,000pa plus company car and valuable financial sector benefits which include low-interest mortgage and non-contributory pension. Prudential Holborn has ambitious plans, is expanding rapidly and offers exceptional prospects.

To apply please write, enclosing your CV to: Rosanne Cole, Personnel Manager, Prudential Holborn Ltd., 30 Old Burlington Street, London W1X 1LB.

PRUDENTIAL HOLBORN

SENIOR FUND MANAGER

FAR EAST EQUITIES

The chance to run one of the key overseas Equities areas in a major investment management firm

This is an opportunity to take overall responsibility for the management of Far East Equity investments in a progressive UK firm of major standing. The substantial assets under management include unit trusts, pension funds and other portfolios. Your job will include the direct management of funds as well as the supervision of the work of colleagues. As a key member of the international management team you will also play a prominent part in asset allocation, client reporting and marketing.

You are likely to have several years' experience in Far East Equities fund management and should possess a good knowledge of both major and emerging markets. You must possess well-developed interpersonal and communications skills and the technical ability to produce above average results.

This is a position of major importance and the compensation package offered reflects the Company's commitment to hiring a high calibre specialist in this field. If you would like to discuss this position in greater detail, please contact **Yvonne Quarrie** on **01-222 7733** or write to her at: **Harding Management Consultants Ltd, 2 Queen Anne's Gate Buildings, Dartmouth Street, London SW1H 9BP.**

Harding
MANAGEMENT · CONSULTANTS
A MEMBER OF THE SMCL GROUP

Brewery Analyst
Stockbroking

Our client is Charterhouse Tilney, a leading provincial stockbroking firm, operating from Liverpool and London. The firm is a member of the Royal Bank of Scotland Group.

They require an Analyst, preferably with some knowledge of the brewery industry, to join their highly successful research team. Important requirements are the ability to read and interpret industry information and statistics, to prepare and deliver results both verbally and in writing, to converse at Board level and to develop close relationships with clients.

Applicants may have an accountancy, investment or relevant industry background and may currently be working for an investment institution, brewery company or stockbroking firm. Career prospects within the firm are excellent.

The salary package is negotiable and will not be an obstacle to the right candidate. Relocation facilities are available and interested applicants should contact **Adrian Hitchenor** quoting ref: 3081 on 061-228 0396 at Michael Page City,
Clarendon House, 81 Mosley Street,
Manchester M2 3LQ.

Michael Page City
International Recruitment Consultants
London Paris Amsterdam Brussels Sydney

CORPORATE SALES/TRADING

As a result of the continuing expansion of our business an opportunity exists for a trader/sales executive within our Corporate Team.

You will have at least three years experience, gained within a bank or other financial institution, of dealing in short term sterling assets and liabilities such as CDs, Bills, FRAs and Deposits. You will be self motivated, enjoy originating ideas and business and will possess the tact and confidence to enable you to talk to a variety of people at many different levels.

Your salary and other benefits will be fully commensurate with your experience.

Please write, enclosing a CV, to:-

Jimmy Johnson
Union Discount Co Ltd
39 Cornhill
London
EC3V 3NU.

هكذا عند الأصل

INVESTOR RELATIONS

City **c.£40,000 + car + benefits**

Our client, a leading British multi-national banking group, is seeking a Manager to be responsible for the on going development and enhancement of investor relations. The person appointed to this key role will be the primary contact for financial analysts, fund managers, other investors and rating agencies.

Candidates should either have previous experience in a similar role or have been involved in analysis or research in an investment house. A relevant degree or professional qualification is preferred and the ability to understand and explain the financial position and performance of a complex multi-national banking group is essential. Excellent communication skills are required to deal successfully with a wide range of individuals within the Group and the City, and with investors generally. This appointment represents the opportunity to make a significant contribution to the future of the Group.

The remuneration package, which is negotiable, will include an attractive basic salary, profit sharing, performance related bonus, a company car and a range of banking benefits.

Please write in confidence with career details, quoting reference S8729/L to Valerie Fairbank.

KPMG Peat Marwick McLintock

Executive Selection and Search

70 Fleet Street, London EC4Y 1EU

PRIVATE BANK

London, West End

seeks BUSINESS PRODUCER to join small team. Loans, H.P.

Salary and incentive bonus
Good career prospects

C.V. etc to Box A1095, Financial Times, 10 Cannon Street, London EC4P 4BY

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Tel: 01-600 0101

OTC CURRENCY OPTIONS BROKER

Experience preferred but will train. Salary negotiable. Trainee money brokers also required.

Write Box A1098, Financial Times, 10 Cannon Street, London EC4P 4BY

SALES EXECUTIVE with management potential for superb range of display systems. Above average remuneration for person with real sales ability and drive. Phone 01 879 3565

Corporate Loan Review

Fluent German

£23,000–£25,000 + Banking Benefits and Car

Our client, an established City banking subsidiary of a North American financial institution is setting up an International Loan Review Unit.

Our client wishes to recruit an experienced banker with a minimum of 5 years experience in secured lending to medium sized companies, the property market and high net worth individuals, in addition to a thorough knowledge of security documentation preferably gained in an international environment.

The successful candidate will be aged 25-35 fluent in English/German, with an appropriate professional qualification. The position will require travel outside the UK.

A comprehensive range of fringe benefits include company car, mortgage subsidy, pension and life assurance, private medical cover and loan facility.

Please write with your career details to J. D. Vine (Ref. FT/111), Vine Potterton Limited, 152/153 Fleet Street, London EC4A 2DH. Please state separately if there are any companies in which you would not be interested.

VINE POTTERTON
RECRUITMENT ADVERTISING

Development opportunity in corporate lending

N M Rothschild & Sons Limited is continuing to expand its substantial corporate lending presence in the UK. The Bank already offers a variety of structured funding options including limited-recourse lending, off balance-sheet schemes, mortgage financing, LBOs/MBOs, acquisition financing and MOFs, in addition to the provision of traditional credit facilities.

The significant growth of this business has created the need to appoint a high-calibre young corporate lending executive to one of its City-based teams.

The role will entail wide-ranging involvement in all aspects of the Bank's corporate lending activities, from marketing these services to preparing, presenting and negotiating loans and providing high-level financial advice to clients.

For an assured young banking/finance professional with at least three years' corporate lending experience (or, possibly, treasury experience with a major commercial organisation), this opportunity offers the chance to develop a promising career with one of the City's foremost merchant banks.

Initial remuneration will not prove a limiting factor for the right candidate; benefits (including profit-share) are in line with best finance-sector practice.

Please apply in full confidence, enclosing your detailed cv, to: The Personnel Director, *N M Rothschild & Sons Limited, New Court, St Swithin's Lane, London EC4P 4DU.*

N M Rothschild & Sons Limited

FUND MANAGEMENT CAREER OPPORTUNITIES

Provident Mutual is one of Britain's most successful *Life and Pensions* organisations. Their investment team in the City currently manage total funds of around £5 billion and business continues to expand rapidly. Because of this we are currently seeking additional investment personnel to pursue a career in various areas of investment management. Current opportunities are as follows:–

★ STRATEGY AND MARKETING

A management position requiring at least 2 years investment experience.
As this position will involve reporting to existing clients at board level on investment performance and the presentation of our services to prospective clients, strong communication skills and the ability to deal with people at senior levels is essential.

★ UK EQUITIES ANALYST

A graduate with preferably some experience of working in investment or other city institutions is required. This position will provide an opportunity to develop into fund management, for the right applicant.

★ OVERSEAS EQUITIES ANALYST

A graduate, again with preferably some experience of working in investment or other city institution.

In return we offer an attractive salary and benefits package including a minimum of 20 days annual holiday, non-contributory pension, BUPA and mortgage subsidy.

To apply please write enclosing full CV to Miss C White, Senior Personnel Officer, Provident Mutual Life Assurance Association, 25/31 Moorgate, London EC2R 6BA stating for which position you wish to apply.

PROVIDENT MUTUAL

ACCOUNT MANAGER

Chemical Bank is expanding its Financial Services Products business - specifically Electronic Banking, Cash Management and Securities and Trust Services - and requires a successful salesperson with language skills to develop the existing European portfolio in France, Spain and Portugal.

The highly professional London-based team requires an additional team-player who is confident, clear thinking and creative with excellent business management skills.

The successful applicant will require:

- capability of understanding customer needs;
- ability to develop products;
- foreign language skills;
- proven sales record.

The rewards will be commensurate with a senior position within Chemical Bank, including normal banking benefits.

If you feel you can match these requirements, please send a curriculum vitae to Mrs Ava Dennie, Human Resources Division, Chemical Bank, 180, The Strand, London WC2R 1EX

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90 Gloucester Place, W1
01-935 5452 (24 hrs)

CORPORATE STRATEGY

At the centre of one of the UK's major enterprises

to £40,000 + car

THIS APPOINTMENT is as a member of a small high-level corporate strategy team that reports direct to the Chairman of one of the country's largest and best-known enterprises. The business is undergoing major change — directed at achieving its objective of becoming the world leader within its sector. The strategy team plays a key role in advising the Chairman and the Board on the direction of those changes and on implementing and monitoring their effects.

Candidates are likely to be graduates in their early 30s, with a post-graduate business qualification from a leading UK or overseas school. They will have at least three years' top-level business strategy and financial analysis experience within a large and complex international industrial or commercial company — or possibly with a consultancy, a merchant bank or venture-capital organisation. Experience of evaluation of mergers and acquisitions would be particularly relevant.

The appointment provides scope for a highly pro-active and creative approach to the strategic planning process within a receptive and dynamic environment — substantial future career opportunities into senior line or staff appointments will almost certainly arise.

To apply, please send a brief cv, in confidence, to Mike Brown, Ref: 2899/MAB/FT, PA Consulting Group, Hyde Park House, 60a Knightsbridge, London SW1X 7LE, or telephone him on 01-235 6060 for an informal discussion.

PA Consulting Group
HUMAN RESOURCES
Creating Business Advantage

WHITTINGDALE
INTERNATIONAL INVESTMENT MANAGERS

SENIOR INVESTMENT MANAGER

FIXED INTEREST

Whittingdale is a successful and expanding independent fund manager specialising in fixed interest markets. They are seeking to recruit an additional senior investment manager to join their existing team.

He/she, aged 27-35, will be expected to contribute to policy decision-making and to the expansion of the *business. The working environment is enthusiastic and* innovative and the prospects for advancement are excellent.

The successful candidate will offer at least three years' experience in fixed interest fund management, and will be educated to degree or equivalent standard, preferably with a mathematical or related background.

An excellent salary, plus benefits, is offered for this important post.

Please apply, in strictest confidence, enclosing your *curriculum vitae, to Edward Lovell at:* Troubridge Associates Limited, Oriel Buildings, 10/11 Margaret Street, London W1N 7LE Telephone: 01-436 5896.

TROUBRIDGE ASSOCIATES

PRIVATE CLIENT STOCKBROKING

An opportunity for a limited number of

Senior Stockbrokers

presently generating in excess of £150,000 commission per annum

Backed by our new parent, the Bank of N.T. Butterfield and Son Ltd., we are engaged in a major expansion of our private client division. We seek a limited number of highly motivated private client executives to join our management team.

This is a challenging opportunity for individuals or small teams of professionals with a proven client base to join a well established and expanding organisation with international backing.

For a confidential preliminary discussion, contact: Grant Hall, Chief Executive

Seymour Pierce Butterfield Ltd.
10 Old Jewry, London EC2R 8EA
Tel: 01-628 4981

Corporate Finance
Merchant Banking
Managers & Executives

The Corporate Finance team of Samuel Montagu continues to go from strength to strength and by any yardstick is one of the most successful in the City. Recent transactions include:

British Steel	–	advisers to HM Government on the largest (£2.5bn) UK public flotation of an industrial company
Mecca	–	successful £750m contested bid for Pleasurama
Coloroll	–	£94m disposal of the cloth and clothing interests of the *John Crowther Group*
Maxwell Communication Corporation	–	UK advisers on the successful US$2.6bn bid for MacMillan Inc. and the US$750m acquisition of Official Airline Guides
BUPA	–	acquisition of Sanitas, the largest health care company in Spain

As part of our planned expansion, including into Europe, we now seek additional top calibre individuals at two levels:

Managers with 2-4 years' corporate finance experience in a Merchant Bank or Stockbroker, probably following a qualification in accountancy or law.

Executives in their early/mid 20's either with a relevant professional qualification and/or with at least 12 months' corporate finance experience.

Applications from individuals with other backgrounds with experience which would be directly applicable in a corporate finance environment are also welcomed; the likely age for such applicants is late 20's.

For one particular vacancy, fluency in German would be a significant advantage.

Applications, which will be treated in strictest confidence should state the level of vacancy applied for and be sent to I.A.N. McIntosh, Deputy Chief Executive.

Samuel Montagu & Co. Limited

10 LOWER THAMES STREET, LONDON EC3R 6AE

Part of Midland Montagu, the international and investment banking arm of Midland Group

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Mergers & acquisitions, leveraged buyouts: their success depends as much on high quality research as financing. The ability to gather and analyse information and generate innovative ideas for our clients, has made Bankers Trust a major force in Corporate Finance. It calls for research that is always one step ahead of the field.

Industry Analyst

Generating innovative ideas for action.

As a senior member of a small team of professionals, you will take responsibility for both on-going research into identified target industries and companies, primarily covering the U.K. and Continental Europe, together with ad hoc projects. You will work closely with client managers and product specialists developing proposals to present to clients.

You should have at least 5 years' relevant experience in industry or management consultancy or as a brokers analyst, including some European industry research. A graduate, with an accounting qualification, you will have proven analytical skills and a track record in developing successful ideas for industries which are restructuring. A knowledge of the real estate industry, while not essential, would be an advantage. The ability to communicate effectively both in writing and verbally with all corporate levels is essential.

This position offers both the opportunity for career development in one of the most successful global merchant banks, as well as an attractive salary and benefits package, including significant bonus potential.

Please write, enclosing a CV, to Alison Hills, Human Resources, Bankers Trust Company, 69 Old Broad St., London EC2P 2EE, or call her on 01 382 2266 for a confidential discussion.

Bankers Trust Company

BHF CAPITAL MARKETS LTD.

FIXED INCOME SALES

BHF Capital Markets Ltd. is the wholly owned UK subsidiary of BHF-BANK, one of the largest German private banks.

Established in late 1987 as the multi-currency trading and sales unit of BHF-BANK's global investment banking operations, BHF Capital Markets Ltd concentrates on sophisticated services for institutional clients in all major fixed income markets.

The growth of our business and our plans for further expansion make it necessary to increase the size of our fixed income sales team. As a result, we are seeking experienced sales personnel with at least 3 years' background in UK institutional fixed income sales both to serve our existing account base and to enlarge it.

Please write with full details to:
Personnel Department, BHF Capital Markets Ltd,
61 Queen Street, LONDON EC4R 1AE

Technical Data
INTERNATIONAL

Technical Data International is a successful Boston-based financial information services firm which is expanding its London operation in both sales and research.

CHIEF CURRENCY ANALYST

As one of the leading financial information vendors we are looking for a creative and independent currency forecaster to assist in the development and maintenance of a new foreign exchange trading tool. The appropriate candidate will have worked in the Foreign Exchange markets for at least three years and have some experience in trading or analysing currency futures and options. He or she will also be familiar with forward hedging, technical trading and risk management. Additionally the candidate should have a knowledge of the activity of the 'major players' in the forex community and feel comfortable in an advisory capacity.

A very competitive package will be made available.

MARKET ANALYST 17-20k

We are also looking for a young market analyst to join our 'ATLAS' international fixed income unit. The required candidate will have worked in debt markets, holding a position in sales, trading or research for at least one year, and should have a general familiarity with all major bond markets. He/she should have a basic knowledge of bond analysis, i.e. calculating rates of return, duration techniques, and yield curve movements. The candidate should allow for a certain amount of flexibility with working hours. An example of written work, be it a morning report, or any sample of recent bond analysis would be desirable but not necessary.

SALES EXECUTIVE OTE 35k +

This position will focus on selling our advisory services to financial institutions in London. New business development and servicing major accounts will be your primary goals. The products you will be representing include ATLAS and BondData, two of Technical Data's state-of-the-art information tools for bond market professionals.

A solid track record is required, with financial markets experience a certain advantage. We are looking for a professional with initiative and drive to join our fast growing entrepreneurial team where success will be rewarded with a generous commission plan.

TELEMARKETER 10-11k +

An opportunity for a recent graduate, probably aged between 20-25, has arisen to help support our firm's European sales and marketing efforts as a Telemarketer. Enthusiasm, initiative and willingness to learn are essential. An economics degree, or a financial markets background would be a big plus. This position offers exposure to key players in the financial services industry and has the potential to evolve into a full time sales role. An attractive salary, plus commission incentives, will be offered.

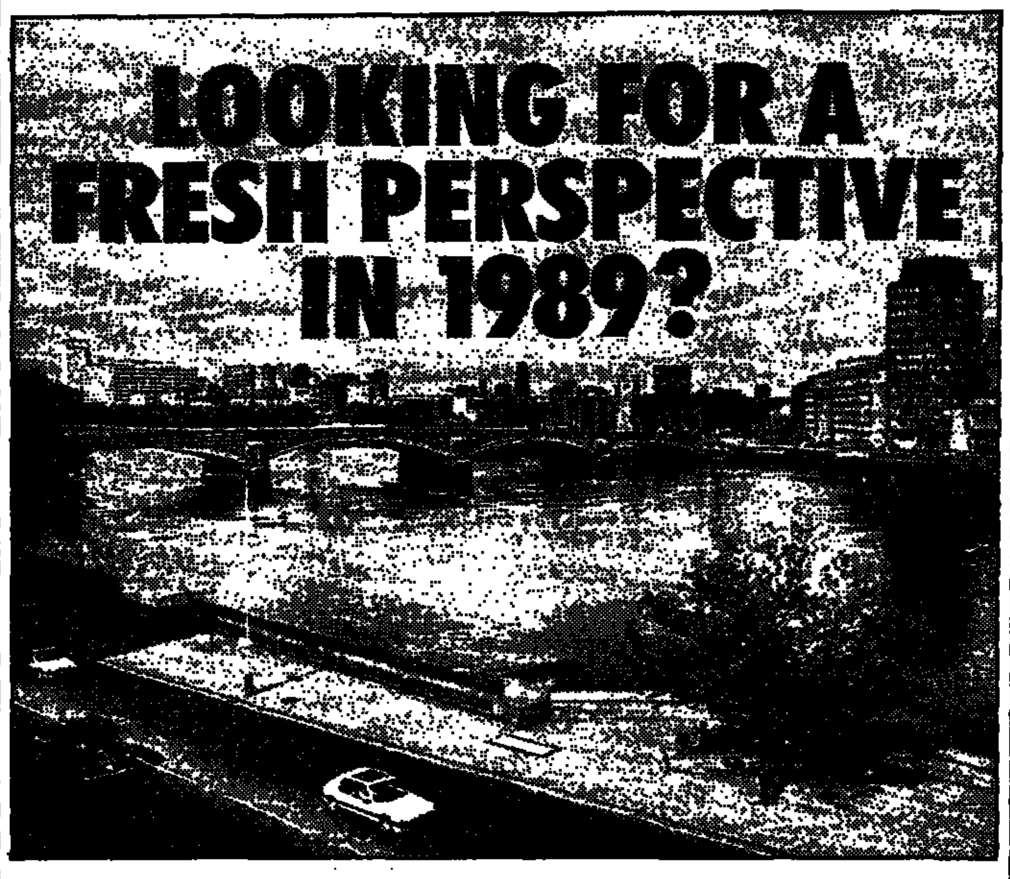
SALES ADMINISTRATOR/SECRETARY 9-10k

As well as the positions mentioned above, we are seeking to fill a Sales Administrator/Secretarial position in the same fixed income analysis department of Technical Data. The ideal candidate should have excellent communication skills, along with a solid knowledge of word processing and secretarial skills. The position will involve screening telephone calls from overseas and UK clients, and dealing with queries that may arise. There will be a certain amount of database work involved and therefore the candidate should have some experience with using computers and database software.

Please send full CV's (plus any written examples, where necessary) for any of the positions mentioned above to:

Claire Hunting
Technical Data International
30th Floor, Centre Point Building
103 New Oxford Street
London WC1A 1DD.

OVERSEAS INVESTMENT SPECIALISTS



Currently worth over £6 bn, the Electricity Supply Pension Scheme is one of the country's largest, with substantial UK and Overseas portfolios managed in-house. We are looking for a Fund Manager to work on the Overseas portfolio.

You should be able to demonstrate a successful record within the area of Fund Management, with sufficient experience or ability quickly to assume market sector responsibilities. You should have already the acknowledged skills of an investment analyst, including a talent for being able to write cogently on investment topics. For those who can match our requirements we offer a salary in the region of £25,000.

Please write with full CV and salary details to R. J. M. Gibson, Securities Investment Director, ESN Investment Management Ltd., 30 Millbank, London SW1P 4RD.

ELECTRICITY SUPPLY PENSION SCHEME

Equal Opportunity Policy Applies

CHIEF DEALER
c £35,000

We are the UK subsidiary of one of the world's leading International Banks and wish to appoint an experienced Chief Dealer to head our Dealing Room team.

Based in our London Head Office, the successful applicant will be responsible for the effective management of the Bank's FX and Money Market operations as well as fixed interest investment and securities trading.

As a member of senior management, the person appointed will assist in the formulation of policy and will be expected to make an active contribution to the future development of the Bank.

If you have already established your credentials as a successful Chief Dealer, and wish to apply for this post, please send your CV with a covering letter to:

The Personnel Manager
P O Box 2AF
London W1A 2AF

Branch Manager

International Bank – North West
Attractive salary + car + benefits

Our client is a major banking force worldwide offering a wide range of specialised services to corporate customers. They have been established in the UK for two decades.

You will be responsible for managing and developing the bank's business in the North of England and Scotland advising both British companies interested in trading with or investing in Israel, and Israeli companies interested in the UK market.

Aged between 35 and 45, fluent in both Hebrew and English, you will probably be an economics graduate with an MA in Business Administration. It is essential that you have 10 years' senior banking management experience and are familiar with both the banking system and the industrial sector in Israel and also with the Bank of Israel's regulations (foreign currency control law, etc).

In return for your ability and commitment, an attractive salary and full banking benefits are offered.

To learn more about this key role, please send brief details – in strict confidence – to Stan Layzell, reference 85022,

MSL International, Sovereign House, 12-18 Queen Street, Manchester M2 5HS.

Offices in Europe, the Americas, Australasia and Asia Pacific.

MSL International

ECONOMIST/FINANCIAL ANALYST

The London branch of one of the largest and most prestigious Japanese Banks has recently established a team of economists to complement its resources in Tokyo and New York. The team is responsible for monitoring and forecasting economic developments in Europe and evaluating movements in financial markets. Foreign exchange, cash markets and off-balance sheet instruments are of particular concern.

We are now looking for a fourth economist to join the team. He/she will provide advice and daily commentaries to dealers and economists, based on proven experience in technical analysis, tempered by sound economic judgement and familiarity with the priorities and actions of policy-making bodies.

He/she should ideally be under 30, a graduate, preferably with experience in econometrics and currently working in a market related environment.

A salary and benefits package commensurate with this position is offered.

Applications should be made by submitting a Curriculum Vitae stating experience, salary and personal details, together with a covering letter to:

The Recruitment Co-ordinator,
Box A1099, Financial Times, 10 Cannon Street,
London EC4P 4BY

FOREIGN EXCHANGE CONSULTANCY

THE POSITION

Provide advice on money markets and the management of foreign currency positions to multinational corporations and commercial banks. You will be backed up by extensive computer software used for *identifying* market trends as well as a wide range of financial services relating to information distribution and back-office work. The work includes marketing and travel throughout Europe.

QUALIFICATIONS

Openings are available for a junior and a senior consultant. Ideally, you should have a degree in finance or economics and work experience relating to foreign exchange or international treasury operations. Fluency in a foreign language would be highly desirable. This is an ideal *position for a "self starter"* who can work independently.

Please send a detailed C.V. to:
Mr. D.R. Lewis
Fintech (U.K.) Ltd
14 High Street
Windsor
Berkshire SL4 1LD

SENIOR CORPORATE BANKER
MANCHESTER BASED

Edington plc, a Manchester merchant bank, which is a member of the Henry Cooke Group plc, is seeking a senior banker to help service the growing business of the banking division. Reporting to the Banking Director, the candidate should have proven marketing experience to large private companies and their proprietors, a first class credit background and a familiarity with the preparation *and review of legal documentation.*

The candidate should be able to demonstrate an ability to structure and close profitable and credit worthy transactions.

It is likely that suitable candidates will be over 30, with a degree or professional qualification, and have not less than three years experience as a commercial banker.

An attractive salary is offered, and career prospects should prove excellent for the right candidate.

Please send a brief CV to Don Hammond, Director, Edington Plc, No 1 King Street, Manchester, M2 6AW.

HENRY COOKE GROUP

CJA RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 01-588 3588 or 01-588 3576
Telex No. 887374 Fax No. 01-256 8501

Outstanding opportunities in the corporate debt area

VALUATION AND STRATEGY ANALYSIS IN MEZZANINE FINANCE

CENTRAL LONDON — PACKAGE £35,000-£75,000 PLUS CAR

SPECIALIST FINANCING UNIT

Our client seeks to appoint two individuals to a closely-knit team specialising in transactions for companies looking for alternative ways of financing, with an emphasis on debt. These two positions will make critical contributions to the overall analysis of corporate financings. The first person may be working in the equity research or equity investment management areas. This experience will enable the selected candidate to provide effective assessments of the values of companies and businesses through various technical methods including cashflow analysis. The other individual, a graduate, will be working in a highly practical research analysis role with any organisation closely involved in consulting, corporate finance or in business intelligence research where they will have gained a thorough knowledge of industrial competitive strategy. This second person will examine company business plans and determine their viability in the context of their economic and industrial environment. Important to both positions is the ability to conduct analysis over a wide range of industries and businesses. Packages, based on high base salary and bonus will be negotiable in the range of £35,000-£75,000 plus car. Applications in strict confidence, under reference VSA21859/FT, will be forwarded, unopened, to our client unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager: CJRA.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 3 LONDON WALL BUILDINGS, LONDON WALL, LONDON EC2M 5PJ.

Davy

STRATEGIC PLANNING EXECUTIVE

London — £30,000 – £35,000 and Car

DAVY CORPORATION is an international engineering group employing more than 10,000 people worldwide. The Davy McKee Companies undertake design, manufacture, engineering, project management and construction for a wide range of industries. Davy Engineering Industries design and manufacture mechanical handling systems, forgings and rolls and provide a range of industrial services. A. Monk Ltd is a major building and civil engineering contractor.

For this appointment, to work within a small, dynamic corporate planning and acquisitions team, we invite applications from graduates aged 28-32. The ideal candidate will have a strong background in economics with an ACA or MBA, but applicants with a similar background will be considered. Relevant industrial experience is necessary.

Reporting to the Corporate Planning Manager, responsibilities are to help in the development of corporate strategies with particular emphasis on the economic and market aspects. The work will also include significant involvement in the areas of acquisitions, divestments and financial analysis and will entail close liaison with senior management throughout the organisation. Key to the success of this appointment are strong management and negotiating skills, an enquiring mind and the ability to achieve objectives with little supervision.

Initial remuneration, includes salary and bonus, £30,000 – £35,000, contributory pension, life assurance, free private medical cover and assistance with relocation if necessary.

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Die Fledermaus

COVENT GARDEN

The 1977 Royal Opera Johann Strauss production lasted in the repertory a decade or so, but for anyone who believed that *Die Fledermaus* is actually a piece of real theatre rather than an extended festive-season operetta concert in a lavish setting, it was one of the house's longer-running disasters. Failure has at last been frankly admitted: for the latest run the multilingual gabble and mishmashed libretto have been replaced with a new and on the whole skilful English translation by John Mortimer, Prince Orlofsky has been correctly reassigned from a tenor to a mezzo soprano (a process begun a few seasons ago, in truth), and John Cox has been invited to devise a new production.

So much is pure gain, as we saw and heard on Monday, particularly as a very strong cast has been engaged to show off the differences. But the rehabilitation process is not yet by any means complete. The next stage must be to get rid of the dances in Act 2, and then – a big but crucial move – to make a bonfire of Julia Trevelyan Oman's sets and costumes, particularly those for Act 2. Finely researched and detailed, as always with this designer, they are also mortifyingly untheatrical, and strait-jacketingly grand for a comedy about a fairly louche set of people up to no good.

And, no less important, the company must make every effort to lay hands on a conductor – there must be one somewhere! – who understands that the marvellous music is the springboard for *comedy*: the fabled Viennese elements are part of the fun, and don't need to be indulged for their own sake. The Hungarian Adam Fischer (brother of Kent Opera's Ivan, and a regular at the Vienna Staatsoper) is an obviously talented, musicianly conductor with, on this evidence, an unhelpful tendency to point up, underline, hold back (there was much show-off rallentando in the Overture, and then again in the "Brüderlein" ensemble) and prod the music. In Act 1 persistent lags held up the succession of events and numbers, and the singers regularly ran ahead of the beat; even later, when the performance warmed up, one had little assurance that the music was ever being articulated or shaped for its theatrical impact.

But the principals are of uniformly high quality, and Mr Cox has produced them in a way that focusses on the situations rather more skilfully than did his predecessor. (He must scrap the feeble surtitles joke as soon as possible.) In the first act the pace of the spoken dialogue wasn't yet sure, and only when Donald Adams's Frank made his first entrance – a marvellous operetta pro with an effortless way of suggesting dignity and eccentricity at one go – did the mixture of speech and song begin to flow. But Carol Vaness's first London Rosalinde is already more than promising: a tall, comely figure with spunk in her manner and glorious vibrancy and agility in her tone (the Czardas, despite Mr Fischer's exaggerations, was quite brilliantly sung, true on the notes from top to bottom – *no mean feat*).

Thomas Allen's Eisenstein and Dennis O'Neill's Alfred, both known quantities here, were each in fine voice: both possess an easy stage presence, and with it a gift for comedy that will no doubt be more keenly developed during the run. Lillian Watson (Adele) is sparky, rather more shrill than usual on the high notes, Alan Opie (Falke) a model of elegance, Claire Powell (Orlofsky) stylish and full-voiced. It is not quite true to say that the sum of these and other attractive performances was ever properly sharp-edged: the self-regarding blandness of the sets alone prevented that. But at least the gap between a "real" and a Covent Garden *Fledermaus* is no longer a yawning chasm; and when Griff Rhys-Jones joined the proceedings, a manic Frosch with a Cleese *moustache and a puritan* horror of "champagne louts" taking over the country, the gap was closed up that much more.

Max Loppert

Schubertiade

QUEEN ELIZABETH HALL

The most ordinary Schubert programme these days is liable to be billed as a "Schubertiade," as the composer's friends used to call a convivial evening *chez lui*, but Hermann Prey's credentials as an inquiring Schubertophile are sterling. *It was he who founded the* annual celebrations at Hohenems; and his own pair of South Bank recitals this week flank two enterprising programmes with younger artists in chamber music and songs. A Schubertiade is just what it all amounts to.

Prey's recital on Monday, with the excellent Helmut Deutsch at the piano, was much more than a survey of the evergreens. There cannot have been many listeners who knew *all* the songs he delivered with such unfailing sympathy: it seemed baffling that the charming "Alinde," for example, has been consistently overlooked these many years, and also the rapturous effusion which translates as "To the apple-trees where I beheld *Julia." For such romantic stuff* the inimitable Prey timbre, warm and faintly husky, is beautifully apt (we got a most melting "Jüngling an der Quelle"), and he has the knack of fixing the distinct moods of different songs while seeming to address them almost artlessly – no tricks, no conscious theatre.

All the love songs came in the second half. The first half was devoted to elevated and visionary numbers, under the heading "Leben, Gott und Natur." Prey began it with "Dem Unendlichen," in which he sounded a plausible base, and concluded with a grandly declaimed "Die Allmacht." (His familiar pitch-foibles could be detected before the interval, but disappeared after it.) In *both parts of the programme* there were rumbustious songs of high mettle – "Der Schiffer," "Auf der Bruck," "Uber Wildemann" – which are not only a delectable Prey speciality, but allowed Deutsch here to demonstrate his superlative control: maintaining all that excited energy without ever threatening the solo voice was a considerable feat. For some time now, Deutsch has been striking me as one of the best *Lieder* accompanists anywhere.

David Murray

TELEVISION

Soap opera excels behind the screen

When the production, distribution, and control of television appear to be more fascinating than the programmes themselves, the temptation to review what is happening behind the screen, rather than on it, becomes almost overwhelming. The move towards an inverted version of "faction," with the public not sure whether to believe the "facts" about television which they hear from the news media, began in earnest with the launch of breakfast television under Peter Jay.

For sheer excitement and daily cliff-hangers nothing that breakfast television has brought to the screen has ever managed to match what happened behind its own post-modernist façade. Remember the early days when the "Famous Five" used to come out onto the forecourt at Camden Lock studios and offer hair-raising accounts of what *had been going on backstage*?

Since then hardly a week has passed without some outrageous, shameful or absurd event occurring within television's very own soap opera, and although *1989 is less than* a fortnight old, this year looks like setting records. Already we have a wonderful squabble between Sky TV and BSB about whose satellite technology is best. (An irrelevant argument in north-west London, at least, where it is impossible to buy or rent a dish from any high street dealer since none has any).

Sky's "countdown" advertisements to the launch of Rupert Murdoch's service are said by BSB to be worse than knocking copy, and *Newsnight* brought us the sight of Sky's Andrew Neil and BSB's John Gau battling head to head. With Neil in his most rumbustious mood, this looked rather like Mike Tyson fighting Sebastian Coe. No doubt both companies are privately chortling gleefully over the valuable publicity.

Then we have had the leaked news that Lord Windlesham's report on Thames Television's *Death On The Rock* programme, about the SAS killing IRA terrorists, will – by and large – vindicate the programme makers. That is not going to delight the Government, *which has already made* its feelings about ITV current affairs very clear this week. With the IBA soon to be turned into the Independent Television Commission, they have appointed Lord Chalfont deputy chairman, which is rather like putting Norman Tebbit in charge of BBC news and current affairs.

With such stirring stuff occurring offstage, it is difficult for mere programmes to

With such stirring stuff occurring offstage it is difficult for mere programmes to compete

compete, yet the broadcasters have certainly been trying. The first Monday of the new year brought from BBC1 a slambang, bodice rippin' version of *Precious Bane* which was like a Thomas Hardy story rendered in pictures by Charles Addams. It offered two hours of splendid entertainment and presaged a fashion for the gothic in costume drama which could make a pleasant change from Lagondas and Fair Isle sweaters. *Sixty Minutes* on ITV showed how well the Americans can still do conventional current affairs, (but we shall be looking in more detail at current affairs in a future column) and *Baka: Growing Up* failed to sustain the soaring standard of the original documentary about Cameroon pygmies. Good though this footage was, it still looked like offcuts. For some reason Clive James presented neither the *Nine O'Clock News* nor *News At 10*.

Tuesday saw Channel 4 beginning *The Ancient Art Of Cookery* with Roy Strong as tour guide to ancient houses, and Sara Paston-Williams enthusing powerfully as cook, but falling down on the details. It is not much good saying "Now, I have four egg yolks" and *failing* to point out that they have been hard-boiled and mashed. Thames's *Citizen 2000*, which had promised to follow in the impressive footsteps of Granada's *Seven Up*, seems to have lost its way: when you insert ethnic minorities at the age of six, the strength in the idea of following children from birth to 18 is lost. *First Tuesday* screened an excellent documentary about the Moscow murder squad, and there was the usual daily programme promoting the film "Who Framed Roger Rabbit," this time on Channel 4. But not a single Clive James programme on any channel: how can television hope to hold its audience?

On Wednesday Channel 4 presented a *terrifying* edition of *Dispatches* which suggested that the insane mass murderer Pol Pot will soon be running Cambodia again, with a sidekick named Ta Mok. Jane Lapotaire *had a whale of a time* as Madame de la Rougierre in the opening episode of BBC2's gothic serial *The Dark Angel*. Director Peter Hammond – who likes shooting through the eye-sockets of skulls, preferably into mirrors – obviously told her "Imagine Kate Bush on Benzedrine playing the Wicked Witch of the West, then hype it up a bit." Clive James got 50 minutes to send a *Postcard From Rio*; the first of a series.

BBC2 began two new series on Thursday. The first, *9-2-5, about the world of work, intro*duced us to a couple who, in middle-age, and with no experience, are taking over a pub, and also to a factory which is moving 70 miles across country, lock stock and barrel. We are promised that we shall follow the fortunes of both in future episodes and, somewhat surprisingly, this seems quite enticing: will Mark and Marion succeed? In *The Two Mrs Grenvilles* Ann-Margaret was seen stripping down (twice) to suspenders-and-waspie without Clive James and his camera crew lurking in her dressing room, which stretched credulity a little.

Friday marked the start of a whole list of genuinely new series. The opening episode of ITV's *High St. Blues*, about a row of little old shops under planning blight, co-written by James Perry who co-wrote *'Allo 'Allo*, was predictable and derivative: the boring middle-aged man in the junk shop is irresistible to young women – just like Rene in *'Allo 'Allo*. It

It all made Dallas seem not only mundane but strikingly sensible

may well run and run. *Women of Our Country*, the 748th series to set out in the last 12 months determined to counter-balance all those programmes *dedicated to famous* men, male problems and so on (what do you *mean*, you have never seen one?) opened by interviewing landscape architect Dame Sylvia Crowe. It can only improve.

The first episode of Channel 4's history of wine, *Vintage*, was exotic and engrossing, with its extraordinary details about the wine culture of the Caucasus. *Arena's* 90-minute documentary on Barcelona was, like all Jana Bokova's programmes, remarkably long and peculiarly disconnected, *yet continually compelling. Making Out* proved to be a BBC1 drama all about women and their problems. How refreshing. Sid Waddell gave the commentary on BBC2's *World Darts* which seemed odd when you thought how good Clive James would be at it.

As usual Saturday had the week's worst schedules, though collectors of American television arcana will have watched the goodish episode of *Columbo* on BBC1 because it was directed by Steven Spielberg and written by Steve Bochco, creator of *Hill Street Blues*. The star of the latter series, Daniel J. Travanti, appeared with Ruby Wax on *Aspel And Company* and both appeared to be quite content to talk to Michael Aspel, which was surprising since, by waiting only a little while, they could have appeared on one of Clive James' various new series of chat shows.

Sunday's timetable was once more packed with new series. *Atlantic Realm* was another of those modern natural history programmes in which marvellous pictures are marred by ghastly music of the boi-oing, ping-ing, plink, bonk variety; and by a script which was pretentious ("Soon to be soured by saltier seas") portentous ("Our search will lead not only into inner space . . .") and inaccurate ("He hove to and reefed his sails in the harbour"). *Agatha Christie's Poirot*, not to be confused with Enid Blyton's Poirot, had splendid steam trains, super fair-isle sweaters and a spiffing Lagonda.

But television's week ended with the biggest programme devoted, of course, to television itself. BBC1's two-hour exercise in accountability, *See For Yourself*, expertly presented by Sue Lawley (perhaps Clive James was ill) selected a peculiarly atypical programme, *Children In Need* as its chief example; confirmed people's suspicions about BBC bureaucracy by showing Radio M-D David Hatch attending endless meetings; and no doubt raised eyebrows all over the country with its details of a drama budget which included more than £1,000 to have a picture painted for props.

It all made *Dallas* seem not only mundane but strikingly sensible.

Christopher Dunkley

The Tailor of Gloucester

SADLER'S WELLS

More than a pantomime, but rather less than an opera. At *Sadler's Wells Theatre* the much-loved drawings of Beatrix Potter are currently coming to life in a new piece of music theatre for children: *The Tailor of Gloucester*, with words and music by Douglas Young, has just received its première and is the latest work to be taken up by the National Youth Music Theatre.

No doubt it is the success of the NYMT in the past year that has made it possible for them to mount their new season in such a handsome style. The Gloucester settings and the detail of Potter's animal figures are just as delightful a feature of this production (by producer Jeremy James Taylor *and designer Christopher* Richardson) as they are in the original books and it is a shame that the opera struggles so to find action to use them.

Apparently Benjamin Britten once considered writing an opera on a Beatrix Potter tale and it is to Britten and his works for children that this enterprise owes *its* greatest debt. Following his style, Young aims to give the score a contemporary flavour, successfully so when he lets the music aspire to adult complexity, but not when he writes down to his audience by working in Christmas carols with grating, new "modern" harmonies.

The chorus of baby mice seemed bemused by *some of the composer's more abstruse* arrangements, as well they might be. Otherwise there can be no complaints about the performance, which was led with tireless verve by David Syrus in the pit. Among the professional performers on stage there were helpful contributions from John Dobson as the Tailor (though *do young ears spot* when a tenor is singing flat?) and Mary King's Housekeeper.

Whether the kids will like it is difficult to say. The show does look good, but it runs out of steam dangerously early in the second act. The atmosphere also seems strangely quaint in today's general climate of entertainment, which perhaps explains why so many of audience at this performance were very old-fashioned children indeed. The under-14s, I am told, prefer to frequent the *matinees* and rumour *has* it those are quite well attended.

Richard Fairman

Alastair Muir

John Dobson with the chorus of baby mice

Pentecost

LYRIC STUDIO, HAMMERSMITH

Just two months after his untimely death, Stewart Parker is movingly memorialised in this production by Nicolas Kent of his last play.

The very first night of *Pentecost* was in Londonderry 16 months ago. I vividly remember, after the rushing of the wind through five voices in a Belfast parlour house, Parker sitting, spruce and almost indecently natty, at a Field Day reception in the Guildhall where John Hume, leader of the SDLP, elaborated passionately on the play's qualities.

Having already lost a leg to cancer some years ago, Parker appeared to have conquered the disease. But it took him, aged 47, swiftly and by surprise last year. The awful irony is that *Pentecost* is a climactic *play in his Irish trilogy*, now usefully published by Oberon Books. It proposes, with dignified finality, the recognition of the Christ in people before the Christ in religion.

The pentatonic structure – five characters, five scenes – is governed by the emblematic setting of a house inherited by Lenny, an unemployed trombonist, from his Aunt Lily. Lenny's estranged wife, Marian, buys the place as a resonant relic, a safe house, a refuge. Her friend, Ruth, arrives in trauma from domestic violence, while Lenny's *friend*, Peter, has returned home from Birmingham.

Lenny and Marian are Catholic, Peter and Ruth Protestant. Lily's ghost, beautifully *played, as in the first produc*tion, by Barbara Adair, is a disturbed spirit as Marian rifles through her possessions. She had a child she disowned by an English airman. Marian lost her own child in a cot death. Ruth has had three miscarriages.

Like David Rudkin's *Ashes*, a metaphor is launched of a land of no hope unfit for babies. But unlike Rudkin, Parker is a whimsical, elegiac writer. This play, one of his densest, is at once wryly despairing and poetically positive.

The time is 1974, during the power station strike organised by the Ulster Workers' Council. There is candlelight and huddling together while the air *outside is filled with riots* and marches. Harold Wilson, then the British Prime Minister in his third term, is heard on the radio denouncing the disruption as the work of spongers with a weaselly *cry of* "Who do these people think they are?"

The lyrical speeches are superbly done here, and the cast all manage the difficult transition from personal witness to pentecostal incantation. Adrian Dunbar is less jazzy, more ruminative, than was Stephen Rea as Lenny, but he burns like a banked fire. *Dearbhla Molloy* is outstanding as Marian, of adamantine steeliness in her quest to preserve the past.

That past is lovingly conjured in Poppy Mitchell's set, while Michelle Fairley as the beaten wife and, especially, Sam Dale as Peter, convey fully the horrors of citizens caught in the crossfire.

Michael Coveney

ARTS GUIDE

January 6-12

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).

A Walk in the Woods (Comedy). Alec Guinness and Edward Herrmann in feeble off-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year. Feb 8-11, 24, 25, 27, March 9-15, March 25, 27 (928 2252, cc 240 7200).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic *milestone*. Fine National Theatre cast led by Stephen Rea. (928 2252). *Jan 19-21, Feb 13-16, March 1-4.*

Brigadoon (Victoria Palace). 1947 Lerner and Loewe "heather-scented" Scottish fairytale hit is handsomely revived and well sung, less frail than expected. (834 1317, cc 836 2428).

The Sneeze (Aldwych). Eight short Chekhov pieces – four vaudevilles, four early stories – translated and adapted by Michael Frayn and performed *in various styles* by Rowan Atkinson, Timothy West and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

Mrs Klein (Apollo). Intriguing chat among the child psychoanalysts in Nicholas Wright's hit transfer from the National. Fizzing performances from Gillian Barge, Francesca Annis, Zoë Wanamaker (437 2663, cc 379 4444).

Orpheus Descending (Haymarket). Triumphant debut for the Peter Hall Company with Vanessa Redgrave candescently sensual and Italianate in atmospheric restoration of Tennessee Williams's last indisputably major play (930 9832).

Henceforward (Vaudeville). Ian McKellen and Jane Asher in bleakly funny and experimental Alan Ayckbourn comedy of future shock and strained marriage. A tale of obsession, devotion, computer music, women as robots, gangs on the streets and a tug-of-love (836 9987, cc 741 9999).

Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).

Evita, the original Broadway production with Florence Lacey (Fri). RAI Congress Centre (44 86 51).

Eindhoven

The Footsbarn Theatre with Babylon, based on Bulgakov's *Master and Margarita*. Stadsschouwburg (11 11 22).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but hollow humour that misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

Cats (Winter Garden). Still a sell-out, Trevor Nunn's production of T.S. Eliot's children's poetry set to music is visually startling and choreographically feline (239 6262).

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its back*stage story* in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Starlight Express (Gershwin). Those who saw the original at the Victoria in London will *barely recognise its US incarna*tion: the skaters do not have to go round the whole theatre but do get good exercise on the spruced-up stage with new bridges and American scenery to distract from the hackneyed pop music and trumped-up, silly plot (586 6510).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and *dated* leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Phantom of the Opera (Majestic). *Stuffed* with Maria Bjornson's gilded sets, Phantom rocks with Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

Driving Miss Daisy (Briar Street). The touching relationship between a dowager, played in this production by Dorothy Loudon, and her black chauffeur exposes the changes in the South over the past several decades (348 4000).

Steel Magnolias (Royal George). Ann Francis and Marcia Rodd *play the leads in this view of* southern life from under the dryers in a busy *hairdressing* establishment (988 9000).

The Piano Lesson (Goodman). Prolific August Wilson continues his exploration of the American black in history with a play, set in 1936, about a family's arguments set round an elaborately carved heirloom piano. Ends Feb 11 (443 3800).

Tokyo

Kabuki. The festive new year programme at Kabuki-za (541 3131) includes a popular modern kabuki play Jii-san, Baa-san (Grandpa, Grandma) at the 11.30 matinee. The evening show at 4.30 ends with the spectacular Lion Dance, featuring Ichikawa Danjuro XII and his nine year old son. At the National Theatre (265 7411), the world-famous onnagata, Tamasaburo Bando, is one of the players in a mixed programme which includes two dance numbers.

Carmen. Musical (in Japanese) based on the opera, but which follows Merimée's novella more closely than Bizet did. The aim, according to director Mike Ashman of *the Royal Opera House*, Covent Garden, is to put back "the sex and violence." Stars Mao Daichi who, unlike most Carmens, can dance as well as sing. Aoyama Theatre (591 1711).

Lodge wins Sunday Express Book Award

David Lodge's brilliant contemporary comedy, Nice Work (Secker and Warburg, £10.95) has won the Sunday Express Book of the Year Award 1988.

The chairman of the judges, Kingsley Amis, said at the award ceremony in London yesterday, that of the six finalists Lodge's novel was the one that had made the panel laugh the most.

In presenting the award, (a sizeable chunk of rock crystal and £20,000), Sunday Express editor Robin Esser said that it had as its aim to highlight the outstanding readability of the novel chosen.

A.C.

FINANCIAL TIMES
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A new era for farming

IF BRITAIN'S farmers were not already reeling, they now should be. In under a week, and in the wake of the egg crisis, they have been criticised by two senior ministers and by Prince Charles.

The heir to the throne concentrated his attack at the weekend on so-called intensive farming. He told an organic farming conference that excessive use of chemical fertilisers threatened the environment and could create long-term health hazards. His arguments are not new, but, as the country's architects have learned, when Prince Charles enters the fray, the nation takes note.

In some important respects his concerns are already being addressed: new controls on nitrate use, for example, are planned. Of potentially greater significance are the challenges issued to farmers by Mr John MacGregor, Minister of Agriculture, and Mr Nicholas Ridley, Secretary of State for the Environment. Both ministers, also addressing farming conferences, heralded an important shift in emphasis in official policy which, if sustained, could have profound consequences.

Stark message

Their message to an industry used to heavy support was stark. The Government believes farmers must become much more market-orientated: if there is no realistic market for their goods, they must find other goods to produce or go under. Mr MacGregor drew parallels with the demise of the small shopkeeper and the village garage and with the painful but necessary adjustment of companies like ICI to the freer market ethic of today.

Behind this message, never so harshly expressed, lie what Mr Ridley called inevitable changes in farming and the countryside. Modern technology means that fewer acres can produce the nation's food, while farming's natural contraction is being hastened by European Community reforms to demolish the food mountains and, with them, the costs of farm subsidies.

But as farming, itself, ceases in many areas to be the mainstay of the rural economy, key questions about the future of rural areas as a whole are raised for which, as yet, there are only the most tentative answers.

The logic of the Ridley/MacGregor stand, as of the reform of the EC's common agricultural policy is that the bigger farmer who can survive in the market place should do so. If there is to be aid, it should go to those who, like hill farmers, cannot compete without help, have few other work opportunities but whose land would deteriorate without care.

Hastening disasters

There are pitfalls, even if such a policy could be agreed. The ever-larger farms which a more Thatcherite approach would mean could hasten the disasters feared by Prince Charles. On the other hand, there is a real problem over who gets the redirected support. If there is a clear case for aiding a "dog-and-stick" farmer in the Welsh hills or the French mountains, there is much less for helping his counterpart in East Anglia or Bavaria, who might sell land for housing or find work at BMW.

Community wide, some aid to farmers will continue because in countries like Germany or France farmers are still an important political force and because, in countries like Britain, an increasingly leisured population demands a well-maintained countryside. But it is vitally important to work out whom to support and how, if such aid is not to become as big a financial burden as the CAP itself. Much more information is needed on farmers' total incomes, however much farmers might resist such a move. Mr MacGregor opened the debate last week, noting that many farmers were better off than they claimed, since already nearly half their income on average is from non-farming sources.

Beyond that, however, is the critical importance of the changing role of farmers for rural areas as a whole. What is needed now are policies where the needs of farming, rural housing, transport, industries and above all rural planning all play their part to ensure a proper balance for the citizen between a potentially damaging free-for-all and over-protection of the farmer.

A Balkan house of cards

EAST EUROPEANS, having discovered that there are no easy answers to the problems created by an unworkable socialist system, are now finding that the hard answers do not work either. Reformers in neighbouring countries must be watching in fascinated horror the apparent death throes of the Yugoslav experiment in market socialism.

If any East European country came near to realising Alexander Dubcek's dream of socialism with a human face it was Yugoslavia, though the humanity has been evident mainly in an overwhelming tendency to err. Even with the economy in ruins, inflation at 230 per cent, hard currency debt at $20bn, mounting industrial unrest and chronic nationalist tensions, the Yugoslav peoples have so far resisted the temptation to respond by smashing the carefully balanced federal structure left them by Tito.

That structure often puts a brake on policy-making and implementation, foiling successive attempts at economic reform. But it also prevents any one republic or nationality from achieving disproportionate power over the others. The Yugoslav state is an uneasy yoke for several sharply divergent ethnic identities. That it has so long survived intact is no mean achievement.

Premier's resignation

Western capital has helped to keep the ship afloat, but also to conceal the fact that it has been sailing on automatic steering-gear. The shock discovery that there is no one on the bridge and that the crew have been below playing poker for years, may tempt crew and passengers alike to welcome Captain Bligh with open arms.

The resignation last month of the Prime Minister, Mr Branko Mikulic, after parliament rejected his budget amid allegations of incompetence and corruption, is not an event of great significance in itself, but comes at a dangerous time, when there are signs that Yugoslavs are so disillusioned by their experience of federal power-sharing as to be ready to turn to a strong man – or, worse, to rival strong men representing rival nationalisms – to lead them out of the morass.

No doubt the fear of resurgent Serbian nationalism, widespread in the other republics, together with constitutional constraints on the powers of any single republic within the federation, should slow the rise of the unabashedly conservative and aggressively nationalist Serbian leader, Mr Slobodan Milosevic. But it could also lead to irreconcilable conflict between the nationalities. So far there is no sign that those occupying the regional seats of power have the courage to prepare their supporters for the quashing of false hopes and unrealistic demands which is essential if the federal system is actually to work.

Deceptive goals

Economic reform is not, in itself, the answer. Nor, alas, is political liberalisation – necessary and desirable though both may be.

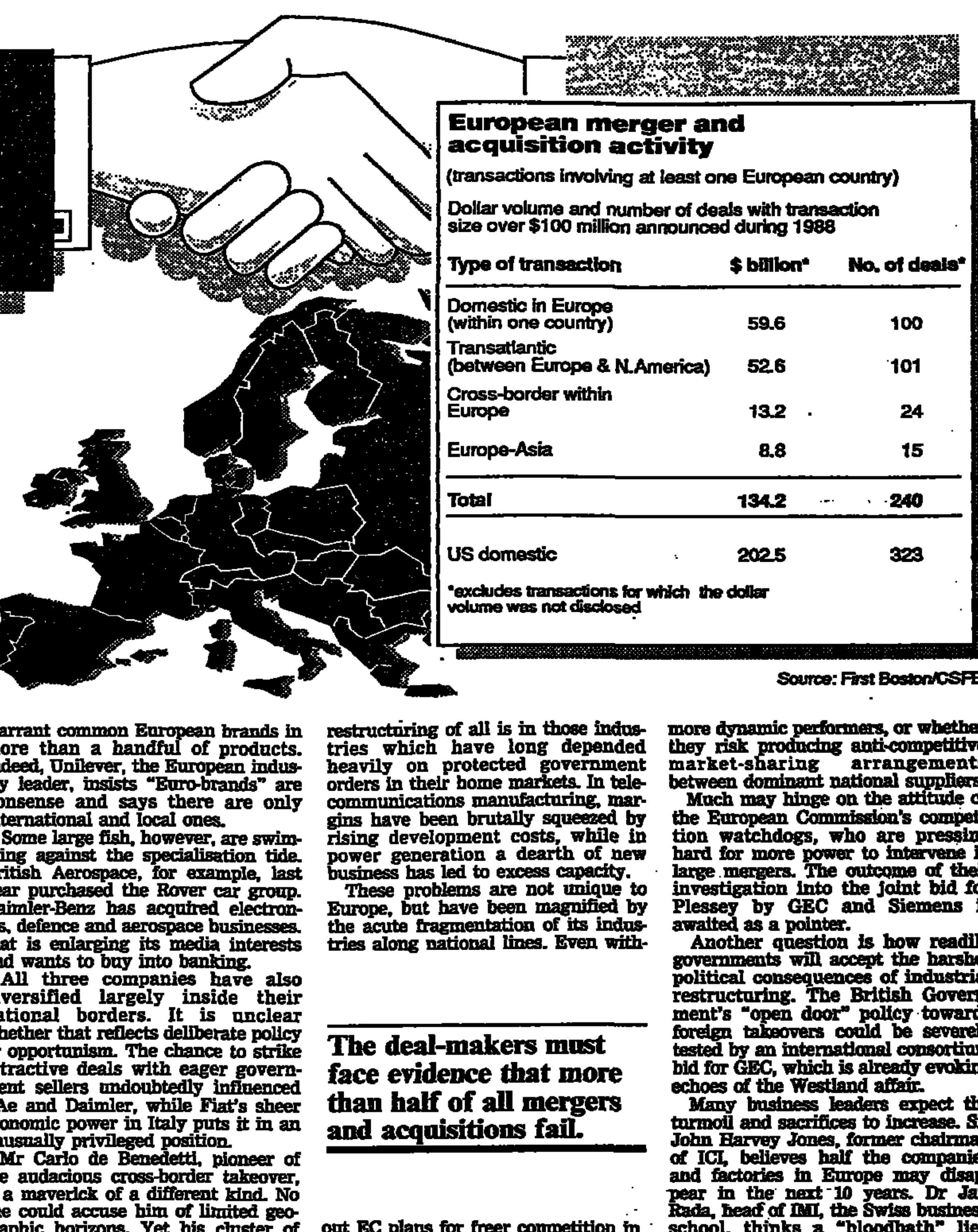
Possibly the biggest pitfall for East European leaders confronting the failures of socialism, as they have practised it, and the clamour for better results is the temptation to rally support by offering deceptively simple goals as panaceas. The same chorus which today calls for more market forces and political pluralism may tomorrow demand more centralisation and strong-arm tactics. Should liberalisation fail to produce results, those who believe in it may end up as disillusioned and vulnerable as the Yugoslavs are today.

One of the unpalatable truths for Yugoslavia today is that the easing of East-West tensions diminishes the strategic importance of a non-aligned state in the heart of Europe. The prospective collapse of Tito's Balkan house of cards no longer carries the threat of dire consequences for the rest of Europe, and hence for the global East-West balance, that kept it upright when first erected.

Who will bail out the fractious southern Slav tribes once the Russian troops and tanks have left Eastern Europe? Who then will subsidise the irresponsibility of the Yugoslav tribal chieftains? They may soon have to fend for themselves.

Guy de Jonquières looks at the background to Europe's wave of mergers and acquisitions

A new landscape takes shape



European merger and acquisition activity

(transactions involving at least one European country)

Dollar volume and number of deals with transaction size over $100 million announced during 1988

Type of transaction	$ billion*	No. of deals*
Domestic in Europe (within one country)	59.6	100
Transatlantic (between Europe & N.America)	52.6	101
Cross-border within Europe	13.2	24
Europe-Asia	8.8	15
Total	134.2	240
US domestic	202.5	323

*excludes transactions for which the dollar volume was not disclosed

Source: First Boston/CSFB

The battle looming over the future of Britain's General Electric Company is a landmark event, not only for the country's electronics sector but also in the accelerating process of structural change which is sweeping through many of Western Europe's industries.

Since the mid-1980s, large tracts of the industrial landscape have been reshaped by mergers and acquisitions, primarily within countries but increasingly across European borders.

Last year alone saw the takeover of Britain's Rowntree by Nestlé of Switzerland, the proposed merger between Carnaud of France and Britain's Metalbox Packaging (part of MB Group) and the joint acquisition by Guinness and Agache of Louis Vuitton-Moët Hennessy, the French luxury goods maker.

Such activity, along with a strong recovery in business investment and more determined efforts by many companies to improve efficiency, has predictably been greeted by European Community policymakers as proof that industry is being galvanised by the prospect of 1992 and creation of a single European market.

But how far major European manufacturing industries will emerge from this shake-up better equipped to meet international competition – and how far they are simply following fashion – is still very much an open question.

One of the difficulties in reaching a judgment is that competitive conditions vary so widely between sectors. "There will be no single right answer. It will be highly industry-specific," says Mr Sigurd Reinton, a corporate strategy expert who was until recently a director of McKinsey, the management consultants.

Furthermore, the restructuring coincides with unusually rapid change in manufacturing methods and product technologies, which is profoundly altering the economics of many industries.

Yet some broad patterns are starting to emerge. While 1992 has undoubtedly had an effect, it has been mostly psychological. Perceptions that internal EC barriers are eroding have more often facilitated than precipitated change.

One of the most pronounced trends is reaction to the diversification craze of the 1960s and 1970s. As in the US, many larger companies are divesting businesses which have become peripheral or difficult to manage and are focusing their operations more tightly. "In a healthy way, European companies are going back to basics," says Mr Martin Waldenström of Booz Allen and Hamilton, the management consultants.

Increased specialisation has stimulated an active market in corporate assets. Philips, the Dutch electronics group, has spun off its telecommunications and white goods businesses in joint ventures with US partners. British Petroleum is selling its minerals activities to RTZ, while Reed International has shed all other interests to focus on expansion in publishing.

Reshuffling of corporate portfolios has been particularly intense in chemicals. There have been some 650 acquisitions and mergers in the European industry since 1983 as companies such as Akzo of the Netherlands, Britain's ICI and France's Rhône-Poulenc have repositioned themselves to capitalise on what they consider areas of particular strength.

The food-processing industry has also plunged into a flurry of deal-making, much of it across borders. However, the commercial rationale differs from the capital-intensive chemicals sector. In the food industry, production is often only a small proportion of total costs and enjoys modest scale economies.

For most food companies, buying into established niches in national markets has been a priority. Consumer tastes are thought by many to differ too widely between countries to warrant common European brands in more than a handful of products. Indeed, Unilever, the European industry leader, insists "Euro-brands" are nonsense and says there are only international and local ones.

Some large fish, however, are swimming against the specialisation tide. British Aerospace, for example, last year purchased the Rover car group. Daimler-Benz has acquired electronics, defence and aerospace businesses. Fiat is enlarging its media interests and wants to buy into banking.

All three companies have also diversified largely inside their national borders. It is unclear whether that reflects deliberate policy or opportunism. The chance to strike attractive deals with eager government sellers undoubtedly influenced BAe and Daimler, while Fiat's sheer economic power in Italy puts it in an unusually privileged position.

Mr Carlo de Benedetti, pioneer of the audacious cross-border takeover, is a maverick of a different kind. No one could accuse him of limited geographic horizons. Yet his cluster of European businesses, embracing car parts, computers, financial services and high fashion, also testifies to the persistence of the conglomerate philosophy.

His empire seems to have been assembled less with an eye to industrial logic than to snapping up undervalued assets across frontiers. However, Mr de Benedetti no longer has that game all to himself. His ability to go on playing it successfully, while continuing to defy the conventional wisdom that diversity is hard to manage, has yet to be tested.

Perhaps the most spectacular restructuring of all is in those industries which have long depended heavily on protected government orders in their home markets. In telecommunications manufacturing, margins have been brutally squeezed by rising development costs, while in power generation a dearth of new business has led to excess capacity.

These problems are not unique to Europe, but have been magnified by the acute fragmentation of its industries along national lines. Even without EC plans for freer competition in public procurement, economic pressures for a shake-out would have become irresistible.

The deal-makers must face evidence that more than half of all mergers and acquisitions fail.

In both telecommunications and power engineering, industry-wide restructuring has been triggered by huge deals – the acquisition by CGE of France of ITT's telecommunications business and the merger of Sweden's Asea and Switzerland's Brown Boveri to form ABB.

Inexorable as these trends seem, they beg delicate political and policy questions. One is whether amalgamations between companies in highly protected markets will really breed more dynamic performers, or whether they risk producing anti-competitive market-sharing arrangements between dominant national suppliers.

Much may hinge on the attitude of the European Commission's competition watchdogs, who are pressing hard for more power to intervene in large mergers. The outcome of their investigation into the joint bid for Plessey by GEC and Siemens is awaited as a pointer.

Another question is how readily governments will accept the harsher political consequences of industrial restructuring. The British Government's "open door" policy towards foreign takeovers could be severely tested by an international consortium bid for GEC, which is already evoking echoes of the Westland affair.

Many business leaders expect the turmoil and sacrifices to increase. Sir John Harvey Jones, former chairman of ICI, believes half the companies and factories in Europe may disappear in the next 10 years. Dr Jan Rada, head of IMI, the Swiss business school, thinks a "bloodbath" lies ahead. Mr Percy Barnevik, president of ABB, fears political reactions will translate into increased protectionist pressures.

However, it is hard to assess precisely how much more rationalisation is likely or necessary. Many traditional measures of market concentration and productive efficiency have yet to adjust to changes in production methods and economies of scale.

Gauging excess capacity has been complicated by computerised assembly and flexible manufacturing, which have lowered break-even points and allowed production to be switched between short runs. In some sectors, such as white goods, high transport costs can also make it more economic to manufacture in small plants rather than in a few big ones.

Nor does the existence of many small competitors necessarily imply that a sector would gain from concentration. In many specialist food and consumer product sectors, the number of firms is growing fast – and the share of market leaders falling – because low production costs make it easy for newcomers to enter the market.

These developments challenge the commonly held view that Europe needs more giant companies to compete internationally. Though size obviously matters in industries such as aerospace, where capital investment requirements keep entry barriers exceptionally high, there is enough contrary evidence to suggest that its importance may be exaggerated.

Leading manufacturers in Europe account for roughly the same proportion of their industries' total output as do their counterparts in Japan, according to EC analyses. Moreover, the competitiveness of Japanese industry depends heavily on its multitude of small sub-contractors. On that analogy, Europe needs more small firms, not more big ones.

Lack of geographic spread, rather than size, appears a more likely explanation for the past weakness of many European industries. "National champion" policies and preferential public purchasing have kept many electronics suppliers heavily dependent on their home markets, while Europe's volume carmakers still rely on their own countries, on average, for more than half their sales.

How far cross-frontier mergers and alliances offer an effective solution is still uncertain. The failure in the 1970s of a string of such deals between large European companies such as Dunlop-Pirelli in rubber, Agfa-Gevaert in film and Hoesch-Hoogovens in steel, is an uncomfortable reminder of the risks involved.

Many business leaders insist the present wave of takeovers and mergers is different. They say it is propelled by more clear-sighted economic and commercial logic, which aims to increase efficiency and market share, not by a political drive to create big companies for their own sake.

Yet Europe's new generation of deal-makers must also reckon with evidence that more than half of all mergers and acquisitions fail. This tally, moreover, is based heavily on experience within countries, particularly the US and Britain. It does not reflect clearly the more complex challenges of different languages, national cultures and customs inherent in cross-frontier deals.

Ultimately, European industry's efforts to forge new corporate alliances and expand across borders will increase competitiveness only if managements also persevere with painstaking measures to cut costs, improve quality and speed innovation.

Indeed, some businessmen, such as Mr Peter Willats, an assistant managing director of Britain's GKN automotive components group, argue that the latter priorities are much the most critical. "If a company's resources are limited, it would be better advised to focus on getting its quality right than on going pan-European," he says.

A broadly similar message was delivered by a recent European Commission analysis of the European car industry. It found that, though the industry had sharply improved productivity since 1980, it still trailed its Japanese competitors on almost every criterion of quality and efficiency.

It also pointed out that, despite a recent boom in sales, European carmakers had merely arrested a steep decline in their share of world markets in the past two decades. There could hardly be a more telling measure of how much Europe still has left to do.

OBSERVER

Young Mr Weinstock

■ After the saga of the GEC bid for AEI in 1967, the J. Walter Thompson Company commissioned a study from the British Market Research Bureau on the factors that had most influenced investors, institutional or otherwise, in their decisions. It is worth looking at today.

Far and away the most important were the "proven ability" of the then Mr Arnold Weinstock, the superiority of the GEC management team and the company's better profit record over the years.

One City respondent said: "At first sight there is not much similarity between Montgomery in his prime and Weinstock. But they are both hard men, who do not suffer fools gladly. Also, they tell you what is happening, much more fully than most of their ilk, and with no more gloss than one expects of effective salesmen. Montgomery won battles: Weinstock breeds profits."

Yet there were reservations even then. Some institutional investors warned of the personality cult. "It was said that as personalities mature, there is a danger that they will over-expand their own capabilities, or their financial resources, or become jealous of younger men, or reluctant to adopt new management techniques."

There was also a fear that GEC's profits had been made "partly by reductions in research appropriations and by other short-term methods of eliminating losses."

AEI put up a good fight in the circumstances. Institutional investors were particularly impressed by the quality of its briefings, which were done with Barings. The point was that, from a low profit base, AEI's fortunes were on the way up. Several of the recipients said that it was a tragedy that the City had had to wait for a takeover bid before being given such a presentation.

In retrospect, however, AEI made a mistake. It brought Lord Beeching – then the country's best-known businessman – onto the board *after* the bid had been launched. Many people thought that counter-productive; if he had been on the board *before*, the bid might not have succeeded.

Ordinary shareholders were questioned about their knowledge of the personalities involved. Some 75 per cent recognised Sir Charles Wheeler, the AEI chairman, but it turned out that many of them confused him with the former President of the Royal Academy. Lord Aldington, the chairman of GEC, had been heard of by only one quarter of the sample, and many of those associated him more with AEI. Like Lord Prior, the present GEC chairman, he was better known as a politician.

Press comment was said to have had a large role in shaping decisions. One senior City man said: "I would sack any analyst who had not read Lex by the time he arrived at the office." Ordinary shareholders vastly preferred the Daily Telegraph and, when questioned closely, thought it "only marginally less authoritative than the Financial Times."

"I'm worried – he's taken to talking to his manure."

Opera as drama

■ The long-running row over Daniel Barenboim's contract as artistic director of the new opera house at the Bastille, now under construction, is reaching a climax. Yesterday Pierre Bergé, head of the Yves St Laurent fashion house and overlord of the Paris opera establishment, issued a public ultimatum that the contract *must* be renegotiated, and that the negotiations *must* be concluded by the end of next week.

Bergé's main complaints are that Barenboim is being paid far too much (a minimum of FFr 6.95m a year), and that his programming ideas are too lavish, old-fashioned and leisurely for an opera house situated in a popular quarter of Paris and intended to draw a genuinely popular audience.

Barenboim rejects both complaints. He claims that his accumulated fees, as director and conductor, will come to less than FFr 5m a year. And he maintains that there is nothing élitist about Figaro or Cosi, Tristan, Carmen or Otello. The trouble is that his schedule allows for even fewer performances a year (only 150 in 1993) than at the existing Opéra, the Palais Garnier, whereas Bergé's plans for modest pricing require much more intense use of the facilities, with around 250 performances a year.

In a recent interview, Barenboim vowed that he would never surrender his complete authority as artistic director, which he derives from a contract signed with the doomed Chirac government last May. As in some operatic melodrama, however, it turns out that the contract was legally flawed. Whether it was sufficiently flawed to enable Bergé to impose his will, and ensure that the Opéra-Bastille opens on schedule on July 14, may be another question.

Blunden again

■ Odd joke going round Threadneedle Street: Sir George Blunden, the Deputy Governor of the Bank, duly retires for the second time, only to be appointed Governor when Robin Leigh-Pemberton goes.

Real beauties

■ 1989 is the 150th anniversary of the first show organised by the Royal Agricultural Society and the centenary of the creation of the Ministry of Agriculture, Fisheries and Food. It is also British Food and Farming Year.

To mark the whole lot there is a quite stunning exhibition of agricultural and rural paintings at London's Mall Galleries. It is jointly sponsored by Phillips, the auctioneers, and the Royal Agricultural Society. Between them they have had the bright idea of hiving off some of the sponsorship to companies like Dalgety, which have been organising their own private views and receptions.

It is, of course, also open to the general public, and I do not think that anyone could fail to be charmed by the pigs, cows, hogs and horses on view, as well as the agricultural implements. The Poet Laureate, clearly in his element, has written a poem to celebrate it. The show runs only till January 29.

Thin ice

■ Graffito in a Hampshire ice rink: "I can't stand skating because I can't skate standing."

Ian Hamilton Fazey looks at the career of Clive Betts, leader of Sheffield City Council

Performing a vital test for Labour

Labour is in power in Britain – not at Westminster, of course, but in town halls. It looks thin on the face of things: control of only 157 out of 514 local authorities. But this hides the fact that Labour is in charge of the bulk of the country's large, urban areas.

Birmingham, Leeds, Liverpool, Manchester, Newcastle, most of the inner London boroughs and Sheffield, are all places where Labour's ability to govern is being tested. The test has been failed badly in recent years by the party's left wing in Liverpool and London, but this is not true of Sheffield where a new, pragmatic and more electable Labour Party seems to be emerging.

Sheffield is already a source of credible national politicians. Roy Hattersley, the party's deputy leader, cut his political teeth there nearly 30 years ago. David Blunkett, promoted to Labour's front bench last year after becoming an MP in 1987, was the last leader of Sheffield City Council.

Clive Betts, Blunkett's successor, looks younger than his 38 years and risks being thought too inexperienced to run Sheffield's £282m budget. Yet his is the face of a new generation of Labour in power in Britain, of which he is acutely aware. "People will judge the party's ability to govern nationally by what they see it doing where it has power," he says. "The only real test they have is in local government."

Most of Labour's 9,000 local councillors occupy what potential inward investors from the US call the red belt of northern and Midland towns. Sheffield – like Liverpool – once had a difficult image. There was a running slanging match between its solid, permanently Labour council and the city's industrial and commercial leaders as its steel-making economy collapsed in the recession. All that has now ended – largely thanks to Betts and Blunkett.

Betts, now emerged from Blunkett's shadow, is highly regarded by the private sector, according to John Hambidge, chief executive of Sheffield Chamber of Commerce and erstwhile arch-critic of left-wing municipalism, subsidised bus fares and high business rates. Norman Adsetts, the Chamber's president, is another supporter. They both trust Betts and appear with him to sell Sheffield to potentially footloose industry in the prosperous south of England.

Business in the Community has been taking parties of industrial leaders on guided tours of Sheffield to see how partnerships between private industry and local communities can work in practice. It also held its annual conference there in November.

Betts observes: "Rapport has not come overnight. People started talking to each other and recognising that there were some things we could agree on and some things we would only get done if we started working together. We have also been honest in recognising that you don't have to agree on everything, such as trade with South Africa and nuclear issues."

The city is even co-operating with the urban development

Sheffield once had a difficult image – now dispelled by Betts and Blunkett

corporation imposed by the Government against its wishes. Its job is to regenerate the Lower Don Valley, the half-derelict graveyard of much of the city's former steel industry.

The rapprochement with the private sector has also won a major economy-boosting prize in bringing the prestigious World Student Games of 1991 to Sheffield.

As a Cambridge economics graduate, Betts ought to understand political economy and the way it has developed in the last two decades. Cambridge channelled his socialism, forged by his background in the poorer, northern parts of Sheffield, into the Labour party.

"It was Cambridge which opened my eyes to the privilege that still exists in Britain. I could only imagine before. Suddenly, it was there before me."

One event decided the direction of his political career. He went to the Union – Cambridge's debating society – for the first time determined to support the motion that the house had no confidence in Her Majesty's Government. It was 1968, the nadir of the first Labour government of Harold Wilson. He was disenchanted and had not joined the party.

He recalls: "In the end I voted against the motion because I was so horrified by what was being put forward by people of the opposite point of view to me. Seeing the opposition made me realise that Labour was the lesser of two evils. The only way of trying to make advances was to get into the Labour party and make sure it put forward policies that I believed in." It was the origin of a left-wing pragmatism in which he has tempered his instinctive idealistic socialist with an understanding of the need to get things done.

Nevertheless, it has probably been easier to have a political career with his sort of background in Sheffield than in many other cities. Aspiring politicans with Oxbridge or any other university degrees who try their luck in places like Liverpool – almost exactly the same size as Sheffield – have had a much tougher time.

There, the party gradually emerged at its sectarian worst, culminating in the rise of Militant. At the time Betts was serving his apprenticeship as a councillor, "intellectuals" elsewhere were being driven out of the party as traitors to the working class.

Sheffield, however, has a disciplined party whose roots lie in the city's artisanship and its realistic trade unionism. The culture is of the negotiator going for the deal, not the zealot wanting to see his opponents' blood all over the walls.

Hard-learned working skills foster adaptability and change: it is the semi-skilled and unskilled, the cannon fodder of general unionism, who become like dinosaurs. Places like Merseyside illustrate the contrast.

Clive Betts: the face of a new generation of Labour in Britain

Betts' views echo those of Jack Straw, another young Labour intellectual. He says: "If the Labour party opens up educational opportunities and they are taken up by people from working-class backgrounds, it should not then dismiss them as not having a relevant contribution to make.

"Labour has to live with the fact that there is a generation of people with working-class origins who in the past would have become skilled workers and probably risen through the trade union movement because full-time higher education would have been denied to them."

But acceptability works both ways. Betts looks at ease whether he is rubbing shoulders with Prince Philip at an Industrial Society conference or standing, as he often does, behind the goal on the terraces wishing Sheffield Wednesday would play better football.

He sees divisions and ignorance in Britain which appall him. "There are many people in London whose only trip out of the city is to go abroad on holiday. I am amazed at the ignorance in the south about the north. Many industrial leaders I meet believe the north is a sea of grotty industrial factories and little cramped houses where people live in dirty conditions; where there is lots of ignorance and a generally poor environment. They are genuinely amazed when they see what the north is really like."

Changing their view is one thing that drives him. So is his wish to do well enough to follow Blunkett to Westminster, though he wonders if he could cope with the frustration if Labour were still in opposition.

He is driven by a personal credo which is refreshing in its naively expressed selflessness. "My parents had no chance of higher education," he says. "I feel that those of us who have had the opportunity have a responsibility to put something back into the community.

"It's not quite like *noblesse oblige* when you are doing something for people because you think you ought. It also recognises that you come from that community and therefore you ought to be able to work with people in developing what they want."

In other words, the voters come first, not the party or some wished-for revolution. It is this which is making the Labour party nationally look closely at its brothers-in-power in Sheffield. Whether it can be replicated everywhere is probably the party's biggest question for the 1990s.

The UK economy

Three telling questions about inflation

By Frank Blackaby

A good deal of the current analysis of Britain's economic predicament is flawed. In the 1980s a number of old, sensible economic truths have got lost, and a number of dubious propositions have crept in.

The dominant doctrine of economic management in recent years has been that the economy is self-regulating, with a simple rule: the job of the Treasury is to keep the public sector borrowing requirement low, and that is all. So long as the borrowing requirement is kept down, there can be no excessive monetary creation, and so no inflation. Further, if the budget deficit is small, the balance of payments deficit cannot be very large.

The Chancellor has done exactly what the doctrine told him to do, which explains his somewhat petulant reaction to criticism. Indeed – to use an inappropriate collectivist metaphor – he has overfulfilled the plan, and has been repaying the national debt. Yet here we have inflation moving up towards 7 per cent, and a current balance of payments deficit in 1988 which will exceed by a wide margin the sum total of all the balance of payments deficits of the last 40 years. Something has gone wrong. What is wrong is the doctrine.

The best thing to do is to start again, and to ask three questions about inflation.

● Why is it moving up? The central figure in the answer is not any of the myriad measures of the money supply. It is the rate of increase in average earnings. So long as average earnings are rising at around 9 per cent a year, there is no way that inflation can be brought down below 5-6 per cent a year for any length of time. For the economy as a whole, labour costs are by far the largest component of price changes.

● Why has the rise in earnings accelerated? It has gone up because unemployment has come down. One long-standing problem of the British economy has been to find ways of reconciling full employment with reasonable price stability. This Government has not attempted that reconciliation. It dealt with inflation by reducing the demand for labour, so that unemployment rose to 3m. Now it finds that even with unemployment (on somewhat manipulated figures) still around 2m, the rise in labour costs is excessive because the demand for labour is regionally maldistributed, and because so little has been done to meet the changing pattern of demands for skill.

● What can the Government do? There is only one thing it can do, since it can hardly talk to the unions. It will have to stop the fall in unemployment, and start it rising again. The growth rate will have to be brought down and kept down for a long time – employment is slow to react to growth-rate changes. Inflation will not just go away.

The current balance of payments deficit will not just go away either. The development of North Sea oil served to obscure the fact that Britain's manufacturing base had shrunk, and that Britain was now a net importer of manufactures. Foreign currency receipts from oil are likely to continue to drift down. Of course interest rates can be used to bring hot money into Britain and prevent the exchange rate from falling. Capital inflows of this kind can go on for a long time, but not for ever. Britain faces a long series of monthly trade figure shocks. Any sudden panic could set off a flight from sterling, and the exchange-rate would crash.

In the interim, the present excessively high exchange rate will make it virtually impossible to get the balance of payments right. The Government argues that the high exchange rate will force firms to resist wage demands, inflation will therefore come down (this is a lapse from monetarist orthodoxy) and the balance of payments deficit will quietly disappear. This is an unlikely sequence of events. What is more likely is a further erosion of Britain's manufacturing base. Large firms will drop out of the production of items subject to strong international competition. Small businesses will pull out of the export market altogether; many will disappear.

Since economic policy is at present doctrinal rather than pragmatic, there is not much point in making alternative, more interventionist, policy suggestions. One of the Chancellor's recent statements in the House is a good illustration of the high doctrinal content of the Government's thinking: "Inflation is a monetary phenomenon and therefore must be dealt with by monetary policies." It is a remarkable achievement to combine in one short sentence meaningless economics and nonsense logic. To say that inflation is a monetary phenomenon is simply to say that we live in a money and not a barter economy – and that does not take us very far. As for the second half of the proposition, Samuel Johnson dealt with it 200 years ago. Faced with a similar plausible-sounding *non sequitur*, he remarked that it had as much logical validity as the sentence: "Who drives fat oxen should himself be fat."

The effect of high interest rates is to deflate the economy, in a relatively inefficient and unpredictable way, while at the same time hindering any improvement in the balance of payments. If we have an economy where – in spite of two million unemployed – deflation is judged to be necessary, fiscal policies do it better. The long-term problem of reconciling full employment and price stability remains unsolved.

There is an intrinsic implausibility about the idea that a system as complex as a modern industrial economy could be optimally managed by the use of a single instrument. There is not just one single objective of policy. At a minimum, there are three – economic growth, full employment, and stable prices – and many people would add more. It is most unlikely that performance will be optimised under all these heads by the use of interest rates alone. Those who think that this is the case must have an unconscious belief in some curious Providence – that modern industrial economies have been carefully designed for simple one-instrument operation by a beneficent (and presumably Conservative) Creator.

The author was formerly deputy director of the National Institute of Economic and Social Research.

LETTERS

Danger of debt

From Mr Wynne Godley.

Sir, According to Samuel Brittan, "So long as the payments deficit stabilises as a proportion of gross domestic product Britain can probably live with it" (December 22).

This proposition is dangerously mistaken, because it implies that Britain would gradually change from having net foreign assets worth about 20 per cent of GDP as at present, to having net debts worth about 100 per cent of GDP. Such a change would exactly follow if the long run growth rate of the economy, and also the current account deficit as a proportion of GDP, were both 3 per cent.

Furthermore, if real interest rates remain at about 7 per cent (that is, 13 per cent nominal less 6 per cent inflation) debt service would become a very heavy burden.

Ultimately there would have to be a trade surplus (real resource transfer abroad) equal to about 4 per cent of GDP – the difference between property income paid abroad and the current account deficit.

The change round would not be some hypothetical "long run" process which can in practice be ignored, particularly because real interest rates are now so high.

According to simulations I have carried out, Mr Brittan's proposal could easily result in our net assets being wiped out in four or five years, and net debts equal to about 30 per cent of GDP acquired after 15 years.

It is precisely strategic mismanagement of this kind which has trapped Ireland, Denmark and many third world countries in a debt problem which indeed forces them both to restrict output and to transfer real resources abroad on a substantial scale via trade surpluses.

Wynne Godley,
Department of Applied Economics,
University of Cambridge

'BT is pleased to offer extended cheap rates'

From the Managing Director, British Telecom.

Sir, I was interested to read Hugo Dixon's suggestion ("BT's Christmas present," Lombard column, January 6) that we should increase our international charges over Christmas to suppress demand for our services. I imagine that by far the greater number of our customers would take issue with him.

British Telecom has been pleased to offer customers an extended period of our normal cheap rates during Christmas and many other public holidays for a number of years. It is true that especially on Christmas Day, services to and from some countries are extremely busy.

Hugo Dixon should bear in mind that British Telecom's normal cheap rate international calls were available for seven days over the Christmas and New Year holiday, allowing our customers to spread their calls and to benefit from the cheap rates.

Where possible, we make special arrangements with our overseas operators to cater for increased demand at Christmas. Additional network capacity is brought into service and British Telecom operators and engineers work over the public holiday period to offer assistance to our customers. In addition to seasonal demand, service to Australia and New Zealand during the holiday period at the end of 1988 was unfortunately affected by industrial action in Australia which was outside British Telecom's control.

We review the position every year, and currently feel that our customers would not appreciate British Telecom increasing its prices at Christmas.

A.J. Booth
British Telecom International,
British Telecom Centre,
81 Newgate Street, EC1

Debt restructuring

From Mr Albert H. Hamilton.

Sir, With respect to Latin American debt, Mr Hakim and Mr Feinberg have identified a reasonable approach: "sound economic policies combined with relief from crushing debt payments" (November 30). But they do not say how this is to be accomplished.

One way is for creditor governments at the Paris Club to agree in negotiations with debtors (whose situation justifies it) a debt restructuring in which all outstanding debt and related interest would be rescheduled on terms which could extend to 10 years' repayment, following a like grace period during which interest on rescheduled debt would be capitalised. This would give the debtor time in which to restructure its economy.

From the debtor, the Paris Club could require not only the standard upper credit tranche standby facility from the International Monetary Fund, which imposes the conditionality the creditors find so comforting, but also structural adjustment facilities and loans. Further, the creditor governments could require debtors to establish external debt monitoring programmes so that both debtor and creditors may know how much is to be paid to whom and when. Paris Club experience with escrow accounts has not been uniformly happy.

Finally, debtors should be helped to establish viable export finance agencies to help increase exports, especially value added exports, the proceeds of which could service the restructured debt as it begins to fall due in year 11.

Granted that debt service due to governments is but a small part of the total, the usual Paris Club negotiation requires the debtor to obtain "comparable" relief from other creditors (banks). While banks generally cannot reschedule interest, extending a more generous rescheduling package can be of immense help to countries struggling to avoid economic collapse and chaos.

Debt restructuring along these lines is not without precedent – witness that negotiated by the industrialised countries with Indonesia 20 years ago. It is also clear that the current standard Paris Club restructuring developed over recent years is no longer effective.

Albert H. Hamilton,
First Washington Associates,
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Mining in Namibia

From Mr R.A.A. Gower.

Sir, On December 14 you published an article under the heading "Namibian Diamond Venture," by Jim Jones, your Johannesburg correspondent, reporting on a new project being undertaken by Consolidated Diamond Mines (CDM).

He included, as part of the report, allegations of serious malpractices on the part of CDM.

The clear implication from the last two paragraphs of the report is that CDM has been "overmining" in order to extract a disproportionate amount of diamonds ahead of independence; and that CDM has bribed Namibian government ministers in order to obtain a report exonerating it in respect of the "overmining" allegations.

We would like to point out that the "overmining" allegations were not merely "dropped," but were rejected by the Namibian Government as a result of the findings of an inter-departmental committee which consisted of the Secretary for Finance, the Secretary for Economic Affairs, the Director of Mining, the Director of State Revenue, the chief geologist in the Directorate of Geological Survey and the first law adviser in the Department of Justice, after considering, *inter alia*, independent expert evidence. Your Johannesburg correspondent will have been well aware of the findings of this committee.

The statement that there were press "disclosures" in Windhoek of payments by CDM to government ministers implies that the press had some evidence of such payments. An allegation to this effect was made by another Namibian politician against the Minister of Mines personally, and this allegation was reported in the press. No evidence has been produced at any stage in support of this allegation, either by the politician in question or the press, and CDM has publicly denied making any such payment. The matter is now the subject of a legal action by the minister concerned.

CDM is a company with a long term commitment to Namibia and its recent announcement indicates its confidence that it can make a contribution to the future prosperity of the country whatever the political circumstances.

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FINANCIAL TIMES
Wednesday January 11 1989

Giuliani quits frontline of crime war

Roderick Oram looks at the career of a New York crusader

ONE MAN has been more successful than any other in tackling the problems tearing apart the social fabric of New York: Rudolph Giuliani.

The rape and murder of a 33-year-old pregnant doctor over the weekend by a homeless man camping out undetected in New York City's main mental hospital horrified even those citizens hardened by years of crime and corruption.

Since it hit financial bottom in the mid-1970s, New York has staged a spectacular revival as the financial, style and cultural centre of the US, but its renewed wealth and vigour has been matched by burgeoning social problems, ranging from organised crime and drugs to homelessness and a growing army of beggars.

Mr Giuliani has used his position as US Attorney for the Southern District of New York to, in his terms, wage war on these problems – Mafia bosses, drug dealers, corrupt city politicians and Wall Street insider traders – and has had more success than anyone else, including Mayor Ed Koch.

After five years when his name was seldom off the front pages or the television news, he resigned yesterday apparently to pursue a political career. It is widely assumed he will run for mayor in November's election.

The role of crusading prosecutor turned reforming politician is one with a special resonance for the American electorate, and one for which New Yorkers may be more than ready this autumn.

It remains to be seen, though, whether Mr Giuliani, with his intense, brooding face straight from the Spanish Inquisition, can win over the voters and, if elected, whether he can balance his fierce quest to root out the guilty with the practical give-and-take needed to make the complex city run.

He has at least established formidable credentials as prosecutor. With the Securities and Exchange Commission in 1986, he won a confession of insider trading from Mr Dennis Levine, a Wall Street mergers and acquisitions specialist. From there, Mr Giuliani and the SEC untangled a web of corruption and fraudulent practices involving Mr Ivan Boesky, the takeover speculator, and others.

One of his greatest achievements came shortly before Christmas when Drexel Burnham Lambert, a leading investment bank, agreed to pay $650m (£366m) in penalties and plead guilty to six felony charges stemming from the Boesky investigation.

Uptown from Wall Street, Mr Giuliani and his team have won racketeering convictions against Mr Tony Salerno and other leaders of four of the City's five main organised crime families, jailed the organisers of the "Pizza Connection" (a Mafia-controlled heroin network), and successfully prosecuted Mr Stanley Friedman for taking payoffs while a Democratic party leader in the Bronx, one of the city's boroughs.

He has had some recent failures – Ms Bess Myerson, once Mr Koch's cultural commissioner, was found not guilty of trying to influence the judge deciding on her lover's divorce settlement – but these are unlikely to dent his reputation.

No one can doubt Mr Giuliani's deep commitment to his task, particularly when he takes to the podium to speak in his lively and witty manner of his crusade.

A few months after Mr Boesky pleaded guilty, Mr Giuliani told a group of high school students about the urgent need for families, communities and religious groups to instil moral values in young people again.

He was asked afterwards in a magazine interview: "Growing up Catholic can imbue one with a healthy dose of guilt. Did that happen to you?"

"Yeah, but I think guilt is valuable if used correctly. You should be guilty," he replied.

He was born in Brooklyn in 1944 and grew up in one of New York's Long Island suburbs. He speaks fondly of the vital influence of his parents – his mother was a bookkeeper and his father a plumber turned bartender. They had a passion not only for living to high standards but also for helping those around them.

Mr Giuliani himself is married to a television journalist and has a young son.

Asked by the students about the people he collared, he replied: "They vary from very nice people you could feel sorry for to the nastiest and meanest. You have to remain professionally detached or you would become sympathetic or too angry." But, he also admitted, "it kind of gets me down to see so much of the worst side of human nature."

Rudolph Giuliani: formidable credentials as prosecutor

New chief for troubled UK banking arm

By David Lascelles, Banking Editor, in London

BRITAIN'S National Westminster Bank yesterday appointed a new chief executive for County NatWest, its troubled investment banking arm, ending a search lasting nearly a year.

He is Mr Howard Macdonald, former chairman and chief executive of Dome Petroleum, the once ailing Canadian oil concern which he cured and prepared for sale last year. Mr Macdonald, a Scot, will also become a director of the NatWest group when he assumes his duties on January 16.

Mr Macdonald succeeds Mr Jonathan Cohen who resigned, along with Mr Charles Villiers, County's chairman, last February after the bank ran up £116m ($204m) of losses largely through its underwriting of shares in Blue Arrow, a UK manpower services company.

Since then, County has been run by a temporary chief executive, Mr Terry Green, who is also deputy chief executive of the NatWest group.

Mr Green said last night: "He is a strong executive and manager. He is a man who likes to do business. I am delighted to have him on board." The announcement of Mr Macdonald's appointment was made at the conclusion of NatWest's first board meeting since the launch by the Department of Trade and Industry of an official inquiry into County's handling of the Blue Arrow affair.

In a brief statement after the two-hour meeting the board said it had "fully discussed" the situation arising from the appointment of inspectors to investigate County "and has confirmed the existing posture of the bank of not responding to press comment."

The statement went on: "Its silence must not, however, be taken as agreement with all that has been published. We believe that it is in the best interests of the enquiry that it should be conducted by the inspectors and we will continue to give them every possible assistance so that they may speedily make their report."

Mr Macdonald's appointment is likely to be greeted with some surprise in the City. Most of his career has been in the oil industry, including 23 years with Shell. Although he is an accountant by training and has extensive experience of the financial side of business, he has never been directly involved in merchant banking and securities markets, County's principal activities.

However, his five years at Dome demanded tough managerial skills and a high degree of financial ability, which he was able to supply to rescue the near-bankrupt company. Last autumn, Dome was bought by Amoco Canada for C$5.5bn (US$4.58bn).

Mr Green said last night that County would be more closely incorporated into the NatWest group under Mr Macdonald than it had been under his predecessors. "Market conditions have changed a lot," he said. "County will have sufficient freedom to do its job properly, but within a group context."

He said he had personally briefed Mr Macdonald fully on the DTI investigation but he declined to say whether he had presented him with a copy of an internal investigation into the Blue Arrow affair last year.

Mexican troops arrest oil union leader

By Richard Johns in Mexico City

MEXICAN TROOPS swooped early yesterday morning to arrest Mr Joaquin Hernandez Galicia, leader of the oil workers and the most powerful union boss in the country, together with three of his closest aides.

In a major assertion of his authority, President Carlos Salinas de Gortari has mounted a showdown with the man whom his last three predecessors dared not challenge.

La Quina, as he is known, had virtually become "a state within a state", capable of holding successive governments to ransom through his ability to bring petroleum production to a halt and throttle Mexico's economy.

He was being brought to Mexico City yesterday charged with conspiring against the Government and undermining state security. Arrested with him were Mr Salvador Baragan Comacho, secretary general of the union, Mr Jose Sosa, his predecessor, and Mr Sergio Bolanos, an industrialist who has fronted for La Quina and the union in their business deals, most recently their attempt to obtain a share of Aero Mexico when it was privatised.

They were arrested by army units who stormed La Quina's house in Tampico on the Gulf coast. Some press reports alleged that 300 uzi sub-machine guns had been found along with 50,000 rounds of ammunition.

Mr Hernandez developed an intense enmity towards Mr Salinas in 1984-5 when Mr Salinas was Minister of Planning and the Budget.

Mr Salinas with the backing of former President Miguel de la Madrid, sought to modify the practice whereby the Union of Oil Workers of the Mexican Republic (STPRM) obtained for its companies more than 40 per cent of drilling contracts and 50 per cent of other work awarded by Pemex, the state oil corporation. The STPRM has traditionally then sub-contracted the work for amounts said to be worth 25 per cent or so of the value of the work.

Lawson, Brady meeting

Continued from Page 1

advocate of policy co-ordination, which he believes has helped spur the present investment boom in the major industrial nations.

The discussions were also expected to focus on the Third World debt issue. President-elect Bush has already announced that he will review US debt strategy.

This rash of bilateral meetings also reflects a simple desire on the part of all the visitors to get to know Mr Brady. Although Mr Brady attended the annual meetings of the International Monetary Fund and World Bank in West Berlin in September, he was newly in office and left most of the talking to Mr Alan Greenspan, the Federal Reserve Board Chairman.

Mr Stoltenberg's visit to Washington will also include meetings with Mr Greenspan, Mr James Baker, the Secretary of State designate.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	14	57	Dubrovnik	S	15	59	Malta	S	17	63	Rhodes	S	13	55
Algiers	S	21	70	Edinburgh	F	05	41	Manchester	F	06	43	Rio de J'o	R	34	93
Amsterdam	R	08	46	Faro	C	17	63	Manila	C	32	90	Rome	C	13	55
Athens	Fg	10	50	Florence	C	11	52	Melbourne	F	19	66	Salzburg	S	10	50
Bahrain	F	18	64	Frankfurt	R	09	48	Mexico City	F	24	75	San Francisco	C	09	48
Bangkok	F	34	93	Funchal	C	16	61	Miami	C	25	77	Seoul	C	08	46
Barcelona	C	13	55	Geneva	C	04	39	Milan	C	03	37	Singapore	C	31	88
Beirut	R	13	55	Gibraltar	C	16	61	Montreal	C	-10	14	Stockholm	F	04	39
Belfast	S	04	39	Glasgow	F	05	41	Moscow	C	-2	28	Strasbourg	C	09	48
Belgrade	S	10	50	Guernsey	F	09	48	Munich	S	07	45	Sydney	C	29	84
Berlin	R	10	50	Helsinki	F	04	39	Nairobi	F	25	77	Taipei	F	26	79
Biarritz	S	06	43	H. Kong	C	18	64	Naples	C	13	55	Tangier	C	15	59
Bombay	-	--	--	Innsbruck	S	02	36	Nassau	F	27	80	Tel Aviv	R	15	59
Bordeaux	C	09	48	Inverness	F	04	39	New Delhi	F	16	61	Tenerife	F	21	70
Brussels	R	08	46	Islamabad	F	15	59	New York	C	04	39	Tokyo	C	12	54
Budapest	Fg	01	34	Istanbul	C	09	48	Nice	S	13	55	Toronto	C	-3	27
B. Aires	F	27	80	Jakarta	R	30	86	Nicosia	R	16	61	Tunis	S	17	63
Cairo	F	13	55	Jersey	F	10	50	Oporto	R	09	48	Valencia	S	14	57
Cape Town	S	23	73	Jo'burg	F	24	75	Oslo	F	05	41	Venice	Fg	00	32
Caracas	C	24	75	Lima	F	25	77	Paris	C	07	45	Vienna	C	02	36
Casablanca	C	17	63	Lisbon	R	13	55	Peking	S	03	37	Warsaw	C	07	45
Chicago	C	-1	30	London	F	08	46	Prague	C	05	41	Washington	C	02	36
Cologne	C	09	48	Los Angeles	C	19	67	Reykjavik	Sn	-1	30	Zurich	C	05	41
Copenhagen	F	07	45	Luxembourg	C	05	41								
Corfu	S	15	59	Madrid	F	07	45								
Dallas	F	-1	30	Majorca	F	16	61								
Dublin	S	05	41	Malaga	D	14	57								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Saudi Arabia raises oil reserves estimate by 51%

By Steven Butler in London

SAUDI ARABIA has reaffirmed its position as the world's pre-eminent oil power with a 51 per cent increase in its estimate for recoverable crude oil reserves to 252.38bn barrels at the end of 1988.

The 85bn barrel increase in reserve estimates, last reported at 167.4bn barrels, is roughly equal to 6½ times all of the proven reserves discovered in the North Sea and puts it far ahead of Iraq, its nearest rival, which claims 100m barrels of reserves. Some analysts also put Soviet reserves above 100m barrels.

Saudi Arabia has roughly 25 per cent of the world's proven oil reserves, a position that had been eroded by reserve upgrades reported in 1986 and 1987 by other members of the Organisation of Petroleum Exporting Countries.

The Oil & Gas Journal, the Houston-based weekly magazine, reported recently, before the Saudi announcement, that world oil reserves reached 907bn barrels last year.

The higher Saudi reserve estimate was released by the Arabian American Oil Company (Aramco), which manages Saudi oilfields. Aramco said the higher estimate resulted from a six-year study.

Aramaco also said the reserve figure could rise to 315bn barrels after further development work at the fields.

Reported reserve figures for Opec members are often greeted with scepticism because higher figures have been used in the cartel to claim a higher production quota. Saudi Arabia, however, has consistently adopted a conservative approach.

The new reserve figure has no immediate implications for oil prices, particularly since Saudi Arabia produces far below its capacity. Its oil production could now last for more than 150 years if it continued at the current Opec quota of 4.5m barrels a day. Aramco also reported a rise in Saudi gas reserves from 142 trillion cubic feet to 177tcf, with a potential reserve of 253tcf.

Ill-fated UK airliner had damage 'to only one engine'

By Michael Donne, Aerospace Correspondent, in London

INVESTIGATORS into the British Midland airliner crash in central England on Sunday evening have found evidence of damage to only one of the engines of the stricken twin-engined Boeing 737-400.

One of the key tasks for the investigators will be to establish why the other engine was shut down.

The accident to the jet, which cost 44 lives, occurred as the aircraft was attempting an emergency landing at East Midlands Airport after the captain reported engine trouble.

There had been speculation that a fire in one engine had been followed by the failure of the second engine when the aircraft was in sight of the runway.

In the House of Commons yesterday Mr Paul Channon, Transport Secretary, said investigators had found evidence consistent with a fire in the aircraft's left engine and with a shut-down in flight of the right engine.

Later, Mr Ed Trimble, a member of the investigating team, said that evidence of fire damage or mechanical failure had not been found in the starboard engine.

On BBC TV news he said the team was trying to establish why the engine had been shut down.

"We can see signs of fire damage on the left engine. We have no evidence of mechanical failure in the right engine. There was no sign of fire on the right engine. That engine was shut down before the aircraft crashed".

In the House of Commons, Mr Channon said the cause of the engine failure was not known. Speculation would be "not only unproductive but positively misleading."

Giving details of the moments before the aircraft crashed, as it attempted to reach the airport, Mr Channon said Captain Kevin Hunt had reported a fire in the right engine.

The fire was apparently successfully dealt with, and the Captain asked for permission to divert to East Midlands airport for an emergency landing.

"Eye witnesses report that during the final approach to the airport the aircraft descended below the normal path with the engine making unusual noises."

Yesterday's findings follow preliminary studies of debris from the wreckage and from the flight data recorder, recovered intact.

The recorder monitors the engines' performance and could provide the most significant clues yet as to what happened.

Debris from the aircraft, possibly from the engines, was found six miles from the crash site yesterday, indicating a possible break-up of one engine. A search was begun by police and soldiers over a wide area of countryside along the path of the jet as it approached the East Midlands airport.

The engines, still have to be dug out of the motorway embankment and taken to the headquarters of the Department of Transport's Air Accidents Investigation Branch at Farnborough for examination.

Police yesterday said 78 survivors were still in hospital, 13 in intensive treatment units with their conditions ranging from critical to fair. Captain Hunt was reported to have broken his back as well as both legs in the crash. The co-pilot survived.

The possibility of some form of sabotage is not being ruled out, largely because there were up to 25 soliders stationed in Northern Ireland on the flight. Four died with at least two Northern Ireland police officers.

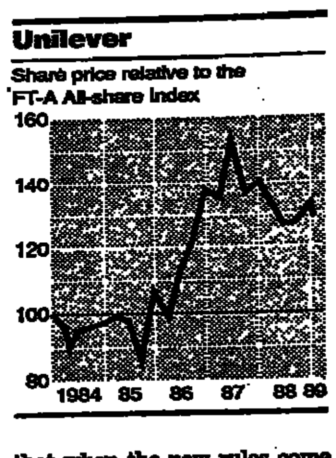
●Michael Cassell, Political Correspondent, writes: Mr Channon also gave the House of Commons a progress report on investigations into last month's Lockerbie air crash. He said that evidence showed high explosives had been placed in the number one cargo and baggage hold just forward of the aircraft's wing. It was too early to say where the article containing the bomb had originated.

Mr Channon said the explosive was "very probably" Semtex and its use pointed to some well-organised and well-supplied terrorist group. If that proved to be the case, he added, most governments would condemn not only such "despicable murderers" but any country which supplied or encouraged them.

THE LEX COLUMN

On the scent of Fabergé

The prospect of Unilever spending close to $2bn for Fabergé may cause a tremor among investors who remember how the rough world of cosmetics treated Beecham and BAT. The industrial fit, though, looks hard to argue with. Unilever is already strong in four categories of personal products – teeth, hair, skin and deodorants – and the addition of Fabergé and Elizabeth Arden would greatly strengthen its position in the remaining areas of colour cosmetics and perfumes. The lure, as with Chesebrough-Ponds and Lever Bros, would be the prospect of savings in distribution, even if much of Fabergé's business goes to up-market department stores, where Unilever is poorly represented.



The question is rather whether the deal will fit Unilever's financial criteria. Fabergé's profits are unpublished, and the price estimate of $1.7bn to $2bn is based on nothing more scientific than a rough average for the industry of 1.5 times sales, which last year were some $1.2bn. The deal has come into the open uncomfortably early, and there is still time for Unilever's scrutiny to turn up unwelcome surprises, or indeed for a counter-offer to come along.

On the other hand, although Fabergé would represent Unilever's biggest purchase since Chesebrough, it could be comfortably accommodated on a balance sheet whose gearing at the end of the third quarter was only around 15 per cent. For those attracted to Unilever as a low-risk stock, it is worth pointing out that the risks involved scarcely seem comparable to those faced by Grand-Met, say, in taking on Burger King.

Stock Exchange

The latest changes in Stock Exchange rules for market makers, largely intended as a *quid pro quo* to induce member firms to quote in decent sizes again, may not be enough. Both BZW and Phillips & Drew now claim to be converts to the joys of quoting in nominal sizes, even though the abolition of same-day reporting on big deals, and of the obligation to deal with fellow market-makers, removes the objections which led to the practice in the first place. The game has moved on, particularly to the extent that next month's introduction of the SAEF execution system turns SEAQ from an information provider into an automatic market.

It therefore looks possible that when the new rules come in a fortnight hence, P&D and BZW will not fall into line. The Stock Exchange's chief sanction against this would be to bang up the minimum size to 25,000 or 50,000 shares, which would probably suit just about everybody, except the small market makers who perform the useful task of jobbing the private client business no-one else wants. Provided they can be given some kind of exemption, this seems the simplest answer; in these hard times, it may be unrealistic to expect any market-maker to give up a perceived competitive advantage voluntarily.

Sweden

Flushed with triumph at coming top of the first division of world stock markets last year, the Swedish bourse is flatly refusing to look at the darker side of this year's budget changes. Yesterday's 1.1 per cent rise in the market was on the strength of a rush of foreign investment in bonds that is expected to greet the removal of foreign exchange controls. In fact, deregulation appears far more likely to cause an outflow of funds as Swedish investors do what their Danish neighbours did a couple of years ago, and chase higher returns overseas. Meanwhile, foreigners may think twice about buying Swedish bonds with a 4 per cent real return, when they could get twice that in Norway.

Standard Life

There is an outside chance that Standard Life's dawn raid on Hammerson Property is a repeat of its rather strange decision four years ago to buy a one third stake in Bank of Scotland at a hefty premium. This had the effect of making the Bank of Scotland virtually bid-proof, and the latter's shares have been a miserable performer ever since. However, the top management of Europe's biggest mutual insurance company has changed in the interim, and the assumption must be that its latest move is far more shrewd. Its policyholders would not be well served if it were merely intent on preserving Hammerson's independence.

Notwithstanding the close ties between the two companies, it is hard to interpret the £11 per ordinary share that Standard is paying as a friendly move. On the other hand, it would be surprising if Standard is itself contemplating a full bid, since that would increase the property proportion of its investment portfolio to an untenable level. Much more likely, Standard is exploiting its bargaining power. If it were to pledge its support to the Hammerson board, Rodamco's chances of winning Hammerson would be virtually nil. But if Hammerson retains its independence, its shares are likely to fall from current levels – which makes yesterday's purchase rather bizarre. Maybe the Scots have a sentimental affection for Hammerson, but it is more likely that they want to do a deal. Carving up a company which is little more than a property investment trust would make eminent sense.

LVMH

As none of the four parties which control Moet Hennessy-Louis Vuitton will tell who is doing what to whom in the boardroom, the upshot of the recent share buying and conniving is deeply obscure. But whatever happens, it is unlikely to particularly good for Guinness. Last week's rise in the company's shares was in recognition of the £200m-odd profit on its LVMH stake, which scarcely seems relevant as it is not about to sell. More likely Guinness will find itself having to buy shares at highly dilutive prices to safeguard its successful joint ventures, which may be under threat if its old chum Mr Chevalier is ousted by the empire-building Mr Arnault. Already the latter appears to have a blocking stake in LVMH, which means that the two families can say goodbye to their pet scheme of a partial demerger. Given that Mr Arnault does not have the funds for a full bid, and Guinness almost certainly does not have the inclination, the risk is of a stalemate even more uncomfortable than before.

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday January 11 1989

INSIDE

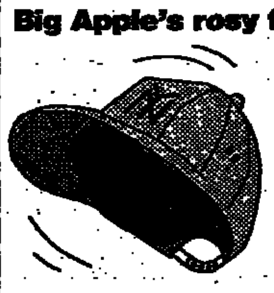
Electrically attracted but poles apart

General Electric of the US and the smaller British namesake it and others are intent on dismembering have a lot in common. They both have business spreads that have attracted criticism for a lack of logic and "synergy" and boast charismatic, no-nonsense chief executives in Jack Welch and Lord Weinstock. Such parallels cannot be pushed too far, however. Christopher Lorenz and Geoffrey Owen explain why. Page 29

Up above Australia's graveyard

Western Australia has recently been a graveyard for company reputations. The October 1987 crash and last year's collapse of a local bank have put names like Mr Robert Holmes à Court, Mr Kevin Parry and Mr Laurie Connell on the sidelines. Even the biggest survivor, Mr Alan Bond, is struggling to prove his group's strength. Yet above these troubles stands a company which has thrived despite the chaos. Chris Sherwell explains how Wesfarmers, principally a fertiliser and chemicals manufacturer, has won a host of fans on its way to becoming one of the state's largest companies. Page 25

Big Apple's rosy future

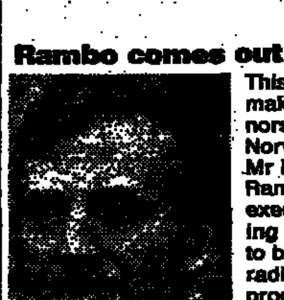


New York commodity futures tended to be overshadowed last year by the drought-inspired drama in Chicago's grain pits. Many of the Big Apple's markets turned in highly satisfactory performances, however, with crude oil, copper, sugar and platinum futures all particularly volatile. Traders are now hoping to see the resulting gains in futures volumes consolidated in 1989. Page 32

Heavily in debt and trading furiously

Last year was an outstanding one for the secondary market in loans to developing countries. The market, where Third World loans trade often at a significant discount to face value, more than doubled in size compared with 1987. Estimates by Libra Bank, the London-based consortium bank and an important market participant, put turnover as high as $40bn for 1988, against $15bn to $20bn for the previous 12 months. But the potential importance of the market for debtor countries is even greater, reports Stephen Fidler. Page 28

Rambo comes out fighting



This year will either make or break Den norske Creditbank, once Norway's largest bank. Mr Kristian "Rambo" Rambjoer (left), chief executive, says the coming 12 months will prove to be the true test for a radical-reorganisation programme implemented by himself and a recently appointed management "clean-up" team. Karen Fossli examines Mr Rambjoer's strategy. Page 26

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)				Conhes	695	+	38
Falls				Falls			
Bayer Hypobank	369.5	–	12.5	OPP DS	143	–	2.9
BWE Ord.	221.5	–	9	Acc. Entreprise	695	–	95
Nixdorf	341.1	–	7.5	Via Banque	331	–	22.2
Siemens	344	–	10.5	Jose Labo	1191	–	72
Mtu Ord.	236	–	7	**TOKYO (Yen)**			
VW	346.5	–	6.5	Rises			
NEW YORK ($)				Aica Kogyo	988	+	100
Rises				Iwatsu Electric	1140	+	110
Cetus	53⅛	+	1⅛	Hasegawa-Komuten	1300	+	120
Procter & Gamb.	88⅞	+	3	Falls			
Ogilvy	32	+	1½	Chiyoda Shipyd	686	–	116
Falls				Ishikawa Seisak	1090	–	150
Corning Glass	69⅛	–	[illegible]	Tekken	1950	–	100
Federal-Mogul	30⅞	–	[illegible]				
Travelers	11⅞	–	3⅛				
PARIS (FFr)							
Rises							
Pernod-Ricard	1090	+	85				

New York prices at 12.30.

LONDON (Pence)				Sothebys Hldgs	1250	+	20
Rises				Weir Grp.	253	+	6
Brit. Aero	462	+	16	Wimpey (Geo.)	278	+	9
Chesterfield	813	+	20	York Chems.	247	+	8
De La Rue	433	+	18	Falls			
Enterprise Oil	510	+	16	Brit. Land	391	–	7
Evered	107	+	11	Eurotunnel	568	–	25
FR Grp.	223	+	11	Hammerson A	884	–	37
Ranyon Sec.	153	+	10	Shanks & McEwan	1115	–	10
McKechnie	292	+	12	Utd. Scientific	173	–	10
Nat West Bank	337	+	10				
Oxford Inst.	226	+	9				
Reed Intl.	373	+	7				
Rothmans	434	+	6				

Unilever seeks splash of scent

Christopher Parkes on a strategic move in the world of cosmetics

This is not the way Unilever likes to do business. The last thing it wanted in its negotiations to buy the Fabergé personal care business was a 'For Sale' sticker to appear on its target.

With half a dozen multinational competitors on the prowl for international brands in the skin care, cosmetics and perfumery trade, the Anglo-Dutch group would have preferred its negotiations to buy Elizabeth Arden, Brut, Chloé and other names to have remained secret.

But word of preliminary negotiations was leaked out, and it may now face a messy and uncomfortable auction.

Unilever was run out of the bidding for Richardson-Vicks by Procter & Gamble three years ago, and the rout still rankles, in spite of its subsequent coup with the purchase of Chesebrough-Pond's.

It was that deal which helped Unilever leapfrog the competition from sixth to second place in the world league of personal products manufacturers – a category ranging from toothpaste to fine fragrances – and gave it a prime position in the US market for skin care with the Vaseline and Pond's brands.

Now it is contemplating the prospect of world leadership.

The main prize in the Fabergé portfolio is without doubt the internationally-known range of Elizabeth Arden skin creams and lotions for the face and body, which complement Vaseline's strength in hand care.

With Elizabeth Arden brands like Visible Difference and Millenium at the top end of the sector, and others in the middle range, Unilever would be able cover the whole market in most of the developed world. It is already present in the ultra-expensive sector with the Erno Laszlo brand.

This would fulfil two of the group's main ambitions in personal products: to take advantage of booming skin care sales which are being driven along at growth rates of up to 15 per cent by the ageing of western populations, and to spread its interests upwards from its traditional position in the supermarket to include outlets in high-class department stores.

With Procter exploiting the Richardson-Vick's Oil of Ulay name, L'Oréal of France, the world's leading cosmetics maker, moving down into the mass market and Japanese companies like Kao and Shiseido spreading quickly from their home base, the competition is increasing.

The proposed deal, which excludes Fabergé's clothing business, would also give a substantial boost to Unilever's new and rapidly developing interest in the international perfume market.

Late last year Chesebrough-Pond's sprang a new offshoot, Parfums International, with the aim of exploring the possibility of linking its odds and ends of international high-class perfumery. A task force of US, French and Italian executives was delegated to assess the feasibility.

"The whole perfume business is on trial," Mr Bob Phillips, chief executive of Chesebrough-Pond's said recently. "It could grow into a whole new leg for personal products.

But whatever we do we cannot give away the top end of this business to Shiseido and L'Oréal and the others."

As its first major venture, Parfums International undertook the international distribution of Elizabeth Taylor's Passion, a high-price fragrance which swept the US at the launch to become the most successful new introduction on record.

Since then it has been successfully shifted into the UK, France, Italy and West Germany.

Since Unilever officials said yesterday that it intended to keep the whole Fabergé business if the deal went through, the inference is that the feasibility of Parfums International is no longer in doubt.

With Passion already on its books, and the Bizarre range performing strongly for the group's Atkinsons subsidiary in Italy, it would be much reinforced by the introduction of Fabergé's Fendi, Chloé, Lagerfeld and KL names, along with the Blue Grass brand popular in the UK.

To enhance its existing presence with Denim in the international mass market for men's fragrance, a deal would give it the enduring and equally widely-sold Brut name for further exploitation.

The synergies are plain in terms of Unilever's general strategy, but while the assimilation of the new brands and production facilities should offer few difficulties, Unilever has little experience in dealing in up-market businesses.

Selling costly scents and lotions requires special skills in marketing and management. And although the goods may be relatively cheap to manufacture – Passion is made in tax-free Puerto Rico – other costs are high.

For example, most of these products are sold through department stores, where manufacturers are expected to provide sales staff and elaborate point-of-sale equipment in contrast to the standard group practice of bulk deliveries to retail chains' distribution depots.

Nor can there be any certainty about the future of the Elizabeth Arden range of colour cosmetics.

Unilever has held on to the Cutex nail polish business which also came with Chesebrough Pond's.

But as world trends shift towards skin care and preservation as opposed to camouflage, there is little growth to be found in lipsticks, eye shadows and the rest.

The market is also made more competitive by the presence of many small independent manufacturers attracted by low capital costs and encouraged in the UK and elsewhere by multiple retailers which have tended to oust branded products in favour of ranges made under the chains' own brands.

Whatever the outcome of the current negotiations, which are expected to take several weeks, Unilever still has a considerable amount of work to do on its international personal products business.

It has weaknesses to be corrected, especially in the US, where it is currently ranked third in a $15bn-a-year (£8.3bn) market.

Its toothpaste business has suffered greatly there under the aggression of Procter and Colgate Palmolive.

"We are not in deodorants or hair care," Mr Phillips said recently, admitting to difficulties in breaking the domination of the market leaders.

"But", he added, "these are Unilever core categories and we have new initiatives planned."

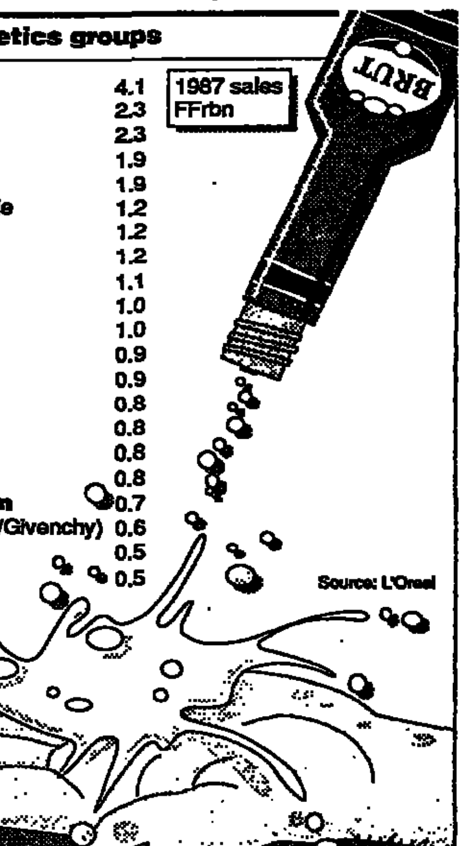
It was the purchase of Chesebrough and the subsequent success of its Rave brand which took the group from 12th position in the $750m hairspray market to second in only one year.

If all goes well, it should gain ascendancy in other markets from Fabergé. If it is to fill the other gaps in its armoury, further purchases may in the end prove to be more efficient than trying to build them from scratch.

Lex, Page 22

World's top cosmetics groups

	1987 sales FFrbn
L'Oreal	4.1
Shiseido	2.3
Avon	2.3
Unilever	1.9
Revlon (group)	1.9
Proctor & Gamble	1.2
Estee Lauder	1.2
Bristol Myers	1.2
Beiersdorf	1.1
Wella	1.0
Gillette	1.0
Beecham	0.9
Sanofi/Y.Rocher	0.9
Schering Plough	0.8
Colgate	0.8
Kanebo	0.8
Schwarzkopf	0.8
Faberge/Arden	0.7
LVMH (Dior/Roc/Givenchy)	0.6
Noxell	0.5
Henkel	0.5



Source: L'Oreal

Long-running battle for LVMH nears climax

By Paul Betts in Paris

THE BATTLE for control of Moet Hennessy – Louis Vuitton (LVMH), France's leading champagne, cognac and luxury products group, is approaching a climax following an offer by Mr Alain Chevalier, the group's chairman, to resign.

Mr Chevalier is understood to have offered to quit following the rejection of plans, which he had backed, to reorganise the group by splitting its champagne and spirits activities from its leather, perfume and other luxury products interests.

He is widely expected to leave in the next few weeks, although he may come under pressure from some shareholders to reconsider. A key player is likely to be Guinness, the British drinks group, which has a substantial interest in LVMH. Mr Chevalier is a close and old friend of Mr Anthony Tennant, the Guinness chief executive.

The long-running battle for control of the company pits a group led by Mr Henry Racamier, head of the Louis Vuitton clan, against Mr Bernard Arnault, the youthful chairman of Financiere Agache, a textile and luxury products company, who recently has consolidated his position as the dominant shareholder in LVMH.

Mr Arnault is understood to have spent between FFr3.5bn ($57m) and FFr4bn at the end of last week to increase his stake in LVMH by about 8 per cent to assure himself of at least a 34 per cent blocking minority in the LVMH voting rights. Mr Arnault is now believed to control about 40 per cent of LVMH share capital through the Jacques Robert company, 60 per cent controlled by the French businessman and 40 per cent owned by Guinness.

Mr Arnault is understood to have raised his stake because he felt his position as the dominant shareholder threatened by manoeuvres between Mr Chevalier and Mr Racamier and Guinness. He has ambitions eventually to head the conglomerate.

He opposed last month's plan, put forward by Mr Racamier, which would have involved reorganising LVMH into a holding company controlling 50 per cent of the Moet-Hennessy champagne and cognac division and 50 per cent of the Louis Vuitton leather and accessories business.

The operation would have enabled the Moet-Hennessy and Louis Vuitton businesses – which have been embroiled in feuds since the merger of the two businesses 18 months ago – to operate with greater autonomy and independence. It would also have allowed the group to raise between FFr18bn - FFr20bn.

Mr Chevalier is understood to have approved this reorganisation and to have outlined the proposals just before Christmas to Mr Arnault. But Mr Arnault regarded the operation as a betrayal, threatening to dilute his position. He also appeared to have been concerned about the role of his partner Guinness, which he suspected of forging closer links with the Chevalier-Racamier grouping.

An irony in this development is that it was a split last year between Mr Chevalier and Mr Racamier which led to the arrival of Mr Arnault and Guinness as shareholders.

GrandMet in talks over sale of casinos

By Lisa Wood

GRAND Metropolitan, the UK food, drinks and retailing group, yesterday announced it was in discussions with prospective purchasers of London Clubs, its gaming business, and these included the casinos' own management.

No price tag was given by GrandMet for the business, which has six casinos in London, five on board Cunard liners and the Casino des Fleurs in Cannes. Analysts, however, suggested a sale price of about £150m ($265).

The business, which includes the Casanova, Palm Beach, Rendezvous and Golden Nugget clubs in London, has been a major cash generator for GrandMet.

However, in the financial year to September 30, London Clubs had what GrandMet described as a "difficult year" because of market conditions.

Annual trading profits are believed to have been on a plateau of about £20m to £25m for some years.

In mid-November, when GrandMet completed the £1.35bn sale of its Inter-Continental hotel chain, it hinted that the casinos could be for sale, saying they did not fit into its strategy of becoming a world leader in the food, drinks and retailing sectors.

Since then several parties interested in acquiring the business have approached it, including the management of London Clubs who are considering the possibility of mounting a buy-out.

In the last year GrandMet has been streamlining its activities. Last month it succeeded in its $5.75bn (£3.2bn) acquisition of Pillsbury, the US food and restaurant chain and paid £331m cash for the William Hill betting shop chain which it will merge with its own Mecca Bookmakers.

Abdullah brothers to quit Evered

By Nikki Tait in London

THE ABDULLAH brothers, who turned Evered from a medium-sized engineering business into one of the more aggressively acquisitive British mini-conglomerates of the mid-1980s, are quitting the company, which is now mainly involved in quarrying and building products.

A surprise announcement from Evered yesterday said that Mr Raschid Abdullah, chairman, and Mr Osman Abdullah, chief executive, had "informed the company of their intention to resign at the next annual general meeting," likely to be held in June.

The official line was that this represented an amicable parting. The statement continued: "Raschid and Osman Abdullah feel that having achieved a strategic direction for the group in the quarry products sector and supported by specialist management, the time is ripe for them to leave the company in order to pursue their own interests."

Mr Roy Kettle, formerly chief executive of the quarry products division, who will become group chief executive, conceded that there had been some recent boardroom differences. But he added: "There are always some differences in a boardroom." He also said that Mr Osman Abdullah had been ill for some time and had little involvement with the company for the past 18 months.

Shares in Evered rose 11p to close at 107p yesterday.

Mr Kettle stressed that the boardroom differences had not concerned the strategic direction of the group – which recently sold virtually all its industrial product interests to management, backed partially by a group of overseas investors. The overseas investor element was put together by Mr Ahmed Abdullah, a third brother.

The new non-executive chairman will be Mr Sandy Saunders, currently a non-executive director. Mr Saunders, best known as a "company doctor", chaired Evered before the Abdullahs' arrival in 1981 and also headed Francis Industries which made an abortive bid for Evered in 1980.

The bid failed when a group of Saudi Arabian shareholders led by the Abdullahs rejected the offer. The Abdullah brothers, who were brought up in Britain, joined the board shortly afterwards.

Under their control, Evered became highly acquisitive and at one stage took a 20 per cent interest in TI Group. It also fought an abortive £165m bid battle for another engineering and plastics group, McKechnie.

However, the City tended to view Evered as a slightly unorthodox creature – and in 1987 the company shifted direction with a successful £100m bid for London and Northern. This took the company into the quarrying/building products area, a business which has subsequently been expanded.

Standard Life raids Hammerson

By Nikki Tait in London

STANDARD LIFE, the large Scottish life company, yesterday manoeuvred itself into a commanding position in the £1.3bn ($2.3bn) bid battle between Dutch property investment company, Rodamco, and its target, Hammerson, Britain's third largest property group.

In a dawn raid, stockbrokers BZW picked up 5.75m Hammerson ordinary shares on behalf of Standard Life at £11 apiece – a total investment of £63.2m. This raised Standard's interest in Hammerson from 18.8 per cent to 28.8 per cent, making it by far the largest shareholder in the group.

Under the substantial share acquisition rules, Standard could only raise its stake by 10 per cent yesterday, although in a week's time it is free to buy again. It cannot go beyond 30 per cent, however, without making a full bid.

Explaining the action yesterday, Standard said that the Hammerson holding represented an important investment within the company's investment portfolio and a significant part of its total stake in property – put at some £2bn.

The company would also face a substantial tax bill if it sold the holding for cash. Estimates of Standard's liability have ranged around the £50m figure which Mr David Simpson, general manager (investment), said were "in the right ball-park."

Accordingly, Standard says it believes it is in policyholders' interests not to accept the Rodamco offer and to increase its holding in Hammerson.

Mr Simpson added that this should not be read as refusal to sell under any conditions. "One has to says there is a price for everything," he commented. "If a bid was made at an attractive price, we would look at it."

There have been various rumours about rival bidding consortiums based round the Standard Life holding, but Mr Simpson said that Standard was acting independently yesterday.

Yesterday, the Rodamco camp was suggesting that the move smacked more of Standard Life protecting its own interest, rather than supporting Hammerson. It said that it would still focus on the Hammerson valuation due out by Friday, before deciding its next move.

Yesterday, the City appeared confused about the implications of the move, although most analysts seemed to view the Standard purchase as essentially protective of its own interests. Shares in Hammerson ordinary shares gained 25p to 985p while the "A" dropped from 921p to 884p.

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Hewlett-Packard, Digital initiate marketing war

By Louise Kehoe in San Francisco

A MAJOR new marketing battle has broken out in the computer industry with the launch of aggressively-priced desktop computer products by Hewlett-Packard and Digital Equipment.

Both companies have adopted new strategies aimed at gaining an increased share of the $5bn market for networked computer systems based upon high-performance desktop workstations.

Hewlett-Packard, in an unusually competitive move, slashed the prices of some of its existing workstation products by up to 44 per cent on Monday and introduced a new engineering workstation it claims is the lowest-priced product in its class.

Digital Equipment followed yesterday by unveiling a range of new desktop computers including workstations and personal computers that radically revamp its product line with technology acquired from outside the company.

For both companies, the announcements represent dramatic departures. HP, for example, seldom presents itself as a price leader, while DEC has previously focused upon proprietary products. Their moves are seen as a major effort to halt the encroachment of a new breed of specialist workstation manufacturers into their traditional markets.

For HP, the challenge has come from such companies as Silicon Graphics, which has won a strong following among engineers in the market for computer-aided design systems with its three-dimensional graphics workstations. HP's new entry-level 3D graphics workstation, priced at $14,900, undercuts the price of an equivalent Silicon Graphics product by $1,000, while its price cuts on higher-performance systems add more competitive pressure.

In another aggressive move, HP has launched an attack upon DEC. Aiming to convert DEC customers to its minicomputer products, HP is offering software conversion services, the free use of an HP computer for three months and other incentives to current DEC computer users. Such tactics are especially surprising from HP, known for its "gentlemanly" approach to marketing.

DEC, however, surprised few with its announcements. The launch of the DECstation, a computer workstation based upon a Reduced Instruction Set Computer (RISC) chip designed and manufactured by MIPS Computer, had been heralded by an agreement between the two companies signed last year. The product is, none the less, a significant departure from DEC's previous products, all of which have been based upon DEC's own VAX architecture.

With the adoption of the MIPS chip, DEC has acknowledged the popularity of RISC workstations, such as those offered by Sun Microsystems, and by offering a version of the standard UNIX operating system for the new workstation DEC appears to be moving towards the "open system" strategy Sun has pioneered.

The DECstation, priced at $11,900 in a minimum configuration, and with performance of up to 14m instructions per second (MIPS), breaks the "$1k per MIP price barrier," DEC claims.

In further product announcements, DEC unveiled a range of IBM-compatible personal computer products, which represent a renewed effort by the company to meet its customers' needs by supplying standard PC products.

Echo Bay's heart of gold reaps rewards

Kenneth Gooding on a Canadian mining company sought after in joint ventures

Gold plus growth, says Mr Bob Calman, chairman of Echo Bay Mines, has been the formula for the company's success since 1982. "And it sums up our plans for the future," he adds.

Since Echo Bay, based in Edmonton, Alberta, was spun off as an independent company by IU International, the Philadelphia conglomerate, to provide investors with a "pure gold play" in politically stable North America, Echo Bay's gold output has jumped from 118,000 troy ounces in 1983 – its first full year of independence – to about 550,000 ounces this year.

This confirms the company as the fourth-largest gold miner in North America.

Mr Calman says Echo Bay is "still growing aggressively and is poised for major growth in the next 15 months." Three new projects will bring Echo Bay an incremental 400,000 ounces of gold a year by the end of that period.

The company recently revealed that one of the projects, a new plan for the wholly-owned McCoy-Cove gold mine in Nevada, would cost about US$220m instead of the $155m previously forecast.

One of the most important elements in Echo Bay's rapid advance has been its friendly attitude towards junior gold mining companies which often have excellent exploration skills and land positions but insufficient production experience or money. This continually opens up joint venture opportunities for Echo Bay.

As Mr Calman points out, 11 of the 12 gold mines in which Echo Bay has an interest were discovered by other companies.

"Our stated public policy is: nothing unfriendly," says Mr Calman. "The day we act like a predator is the day the phone stops ringing and people stop coming to see us.

"Today many gold mining people see the way to wealth is to have Echo Bay as a partner. They come to us for money, experience and to be associated with a winner and because we have a reputation for honesty and forthrightness when dealing with our partners."

However, Mr Calman says that Echo Bay is interested only in projects that offer "growth per share." By that he means the company measures success by how much a venture contributes to earnings per share, cash flow per share, gold production per share and reserves per share.

A steady stream of potential deals continues to flow to Echo Bay's door but, although the company is still willing to listen, its main priority in the next two years must be to get the three major new ventures in place.

This month, a scheme to double gold production at the Round Mountain open pit mine in Nevada, 50 per cent-owned by Echo Bay, will be completed. This will increase output to an annual 320,000 ounces from 190,578 in 1987.

Next year, the Kettle River mine, 70 per cent-owned and near the town of Republic in Washington state, will be brought into production and is expected to yield more than 110,000 ounces of gold during each of the first two years of its life.

However, the McCoy-Cove mine in Nevada is by far the most important of Echo Bay's development projects. The company has decided to expand its original plan for the mine to increase mill capacity from 5,000 tons of ore a day to 7,500 tons and the heap leaching (a cost-efficient method of gold extraction) facilities from 5,000 tons to 10,000 tons a day.

As a result, the company expects McCoy-Cove production to climb to about 225,000 ounces of gold and 2.7m ounces of silver this year and to more than 330,000 ounces of gold and 6.5m ounces of silver in 1990, compared with 100,000 ounces and 700,000 ounces respectively last year.

In the early 1990s, unless there is further expansion, total production at McCoy-Cove is forecast to stabilise at about 400,000 equivalent ounces of gold a year (converting silver ounces to gold at an approximate price ratio of 70:1).

Present reserves give a 14-year mine life, but further exploration is going on. The life-of-mine gold production costs are estimated at $230 an ounce in 1988 dollars, including smelting and refining costs. Included in the costs is $3 an ounce to deal with excessive water at the mine which will be pumped away at the rate of 10,000 gallons a minute.

The company's cash costs last year were $220 an ounce and are projected at $210 for this year.

Depreciation and amortisation at McCoy-Cove are expected to add about $55 an ounce.

Mr Calman says that financing for nearly all the expansion programme has already been arranged in the form of gold and silver credit facilities totalling $210m. The company has therefore no plans to issue new equity or debt paper. That would be necessary only if a major acquisition were made.

Echo Bay hedges between 10 per cent and 33 per cent of its gold output to cover cash flow requirements. For 1989 it has sold gold forward and has gold loans covering 20 per cent of output, at an average price of $445 an ounce. The loans attract interest of about 1.5 per cent a year.

Mr Calman says he will be glad when, in December, the company finishes paying off a gold loan to cover the $55m cost of the Round Mountain mine. It has been delivering 2,000 ounces of gold a month at $307 an ounce to pay off this debt. The price looked good when the loan was raised but gold has averaged about $440 an ounce this year.

This is a reminder that not everything always goes smoothly for any gold mining company, however successful. As another reminder that the risks remain great, at Echo Bay's joint venture with the Nuinsco company, the Cameron Lake mine in Ontario, it was found that a gold price of $550 an ounce was needed to make production worthwhile. So Echo Bay recently sold its 53.8 per cent stake to realise an after-tax loss of US$2.9m.

Shamrock to contest Polaroid ruling

By James Buchan in New York

SHAMROCK, an investment group representing the interests of the Roy Disney family of California, said yesterday it would appeal against a Delaware court ruling that threatens to block its $2.90bn offer for Polaroid, the maker of instant cameras.

Shamrock also extended its $40-a-share tender offer for the stock of the Cambridge, Massachusetts company until January 19.

Friday's decision by the Delaware Chancery Court to allow Polaroid to issue a big block of stock to its employees is regarded on Wall Street as a significant hurdle to the ambitions of Mr Disney, the nephew of the celebrated film-maker, Walt Disney.

Under the state law of Delaware, where Polaroid is incorporated, Shamrock must control at least 85 per cent of Polaroid or wait three years to enjoy important tax and other benefits of a merger.

Cigna employees plan division buy-out

By Nick Bunker

EMPLOYEES of Cigna Corporation, the US insurer created by a merger in 1982, are working on plans for a leveraged buy-out of its US individual financial services division (IFSD), in what may be an unprecedented move within the insurance industry.

The division, with 2,200 employees, 1988 revenues of nearly $800m and $36m of after-tax earnings in the first nine months of last year, was part of Connecticut General, the life and health insurance group that merged with the Insurance Company of North America (INA) to form Cigna six-and-a-half years ago.

The division sells life and disability insurance and investment products to individuals and corporations, but Cigna decided late last year that in future these would not be core activities for the group.

W. Germany 'losing out' in foreign acquisitions

By David Goodhart in Bonn

THE VIEW that West German companies are lagging behind in the 1992-related takeover chase appears to be borne out in an analysis of 1988 takeovers by M & A International of Königstein, the acquisition consulting firm.

Although the number of foreign acquisitions by West German companies rose from 131 in 1987 to 179 last year (15 per cent of the total), that is still far below the number of German firms bought by foreigners, which rose from 262 to 344 (28 per cent of the total). The favourite site for German foreign acquisitions, as in the UK, continues to be the US.

The US accounted for 53 of the 179 foreign acquisitions, France was second with 23, the UK third on 15 and the Netherlands fourth on 11. The total number of EC country acquisitions rose by only four last year, from 70 in 1987.

"Regrettably, German companies are still hesitant about expanding in Europe and are thus losing valuable time," M & A International says. "Many foreign groups move faster and seem to have clearer geographical objectives."

The number of acquisitions involving German companies rose by 30 per cent in 1988 to 1,209, which M & A says demonstrates that the vigorous expansion of the merger market, which began in 1984, is continuing. US companies retained the lead in the foreign buyers' league with 83 deals, up from 54 in 1987.

Gulf + Western ahead

By Karen Zagor in New York

GULF + WESTERN, the film, publishing and financial services group, yesterday reported another year of growth, thanks to record performances in its publishing and finance businesses and the success of its films, Crocodile Dundee II and Fatal Attraction.

Net profits for the fourth quarter ended October 31, 1988, were $144m or $1.21 a share, against $130m or $1.05 for the same period the previous year.

For the full year, Gulf + Western reported net profits of $384.7m or $3.21 a share, compared with $356.1m or $2.88 a year earlier, on revenues of $5.1bn against $4.7bn.

During 1988, the company repurchased about 5.6m of its common shares. Its cash balance at the end of 1988 was $616m, an increase of 69 per cent over $365m at the close of 1987.

According to Mr Martin Davis, Gulf + Western's chairman and chief executive: "Paramount had an extraordinary year, with results second only to the record fiscal performance in fiscal 1987."

This was despite a number of resounding flops, such as Presidio, starring Sean Connery, and Big Top Pee-wee, featuring the ubiquitous Peewee Herman.

Earnings were ahead in consumer finance, with The Associates, Gulf + Western's financial services arm, registering record earnings for the twelfth consecutive year with assets of more than $12bn.

Mr Davis said the company's publishing-information business continued to grow significantly, with Simon & Schuster's revenues approaching $1.2bn.

However, increased costs in developing textbooks held back earnings in educational publishing for schools.

Following the announcement of the company's results, shares in Gulf + Western rose by $⅝ to $42¼ on the New York Stock Exchange.

● The year was less kind to MGM/UA Communications, the film and television studio, which recorded an operating loss of $14.3m before non-operating income and expenses as well as interest expense.

Following the news, the company's stock was trading at $13⅞, down $⅜ on the New York Stock Exchange.

INTERNATIONAL COMPANIES AND FINANCE

Wesfarmers cultivates its roots

Chris Sherwell on an Australian company that is bucking a trend

Western Australia has recently been a graveyard for company reputations. The October 1987 stock market crash and last year's collapse of a local bank have sidelined names such as Mr Robert Holmes à Court, Mr Kevin Parry and Mr Laurie Connell. Even the biggest survivor, Mr Alan Bond, is struggling to prove his group's strength.

Yet, apart from the chaos stands a company that has continued its expansion and expects to do better still in 1989 and 1990. Extraordinarily for the state, it is neither an entrepreneurial nor a mining group, but an industrial company with rural roots – and a host of fans.

The company is Wesfarmers, set up in 1914 as a farmers' co-operative and now one of the state's largest companies. Its main business is fertiliser and chemicals manufacture, but it also has diverse interests in gas, transport, retailing, rural agency work, dairy activities and finance.

Its record since listing in 1984 includes a fivefold increase in attributable profits to A$57.5m (US$49.6m) and a growth in market capitalisation from A$80m to just under A$700m.

Its share price performance is virtually unmatched. Having reached a high point of A$5.50 before the crash, it first sagged to A$3.60 in line with the market and then surged to a high of A$10.30. After a recent share split, it now trades at the equivalent of more than A$9.

According to Mr Trevor Eastwood, the main force behind Wesfarmers' success, the group's present return of 22 per cent on shareholders' funds probably ranks it in the top 5 per cent of listed Australian companies. He and most broking analysts expect this to improve.

These days, Wesfarmers is foremost a fertiliser and chemicals manufacturer. More than half its profits come from these activities, with the bulk from fertilisers, in which it has a competitive monopoly in the state.

For some time Mr Eastwood has considered expanding Wesfarmers into an international force by building a large-scale A$450m ammonia and urea plant with Norsk Hydro. However, because of the state of the market those plans have been deferred indefinitely.

In chemicals, though, he has pressed ahead and built a chloralkali plant to supply chlorine to the local market and a sodium cyanide plant to service the booming local gold industry, which uses the chemical in the metal's extraction.

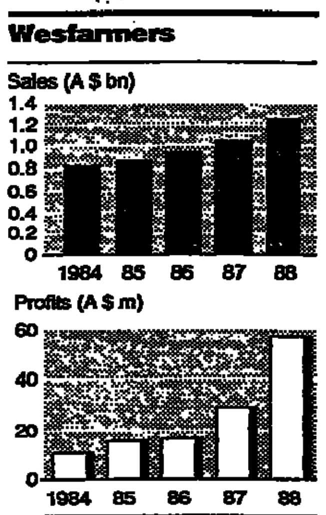
He has also expanded into explosives by buying BP Australia's 80 per cent holding in explosives group Kwinana Nitrogen Company (KNC). Through a series of transactions, initially involving Dupont of the US but now with Dyno of Norway, Wesfarmers has quickly built up a 40 per cent market share in Australia and is poised to take on the South-East Asian market.

By contrast, the group's gas processing and distribution business generates less in profits but has a longer tradition within the group. The company has distributed liquefied petroleum gas since 1956, but in a major development it recently set up a A$105m LPG extraction plant to remove propane and butane from the North-West Shelf gas stream.

The plant is located at the Kwinana industrial site south of Perth, near its explosives plant. The twisting steel structures of these major complexes stand in sharp contrast to the group's elegant modern headquarters overlooking the Swan River in Perth.

Mr Eastwood has made the offices one of the city's most distinctively furnished buildings, with a vast collection of valuable Australian paintings on the executive floor and, in the foyer, a colourful display of old agricultural machinery to serve as a reminder of Wesfarmers' origins.

These links to the land remain vital. The group's traditional rural activities – buying and selling wool and stock and station sales – account for more than 15 per cent of profits, while its dairy operations contribute another 7 per cent. Transport and rural retailing activities add a further 10 per cent.



Another illustration of these agricultural ties is the group's board. All but three members – no less than 13 directors – are farmers by background.

Indeed, even after two restructurings – the first in 1984 to go public and a second late last year – Wesfarmers remains fundamentally a farmers' company. Directly or indirectly, the original co-operative still controls 59 per cent.

Yet there is no doubting that the Wesfarmers of the late 1980s is a modern outfit – and that it is the brainchild of Mr Eastwood. Unlike his fellow directors, he is an engineer by training. He is also a graduate of the Harvard Business Management School's advanced management programme.

However, he is not new to Wesfarmers. He joined the group in the mid-1960s and by the time he rose to become chief executive in 1984, he knew how he wanted to run it.

Helping him is the key figure of Mr Michael Chaney, who comes from a well-known Perth family and trained as a geologist. He has an MBA and worked in the Australian Industrial Development Corporation before joining Wesfarmers in 1983.

Together, these two, by imposing their own management style, have transformed a sleepy but solid co-operative owned and run by farmers into a dynamic industrial and rural group run along strict financial lines which is swelling the pockets of its shareholders.

Their philosophy is simple but effective. Their main aim is to improve returns on the group's assets. All parts of the business have a target of 25 per cent return on capital. Less than 20 per cent and they face what Mr Eastwood calls "the ultimate capital reduction."

Second, they try to make the group grow in steps, to preserve flexibility. That was how it moved into explosives. It was also how it got out of both a South Australian fertiliser group and a mining venture: offers came for its holdings that it could not justify on its own criteria.

Finally, the two insist on conservative financial policies – gearing no higher than 55 per cent, interest cover of at least four times – and accounting systems that monitor all activities on a rolling 12-month basis.

Broking analysts like Wesfarmers' strong cash flow and its attractive new dividend policy. Ask what its weak spots are, and they are hard pressed. However, they cite the good fortune that has helped Wesfarmers on its way – in particular, the rural upturn, which has helped its fertiliser business as well as its traditional operations – and say such luck may not last.

Wesfarmers says in response that it has diversified to counter such vulnerability. However, the question is whether it has done enough, either in sectoral terms or geographically. The answer will only come if and when the economic cycle reverses.

Elders sells stake in US brewer

ELDERS, the Australian brewing and investment group, has sold its small stake in Anheuser-Busch Companies, the US brewer, agencies report.

Elders Investments, a 76.7 per cent-owned Hong Kong subsidiary of the parent Elders IXL, last September revealed it had taken a 0.84 per cent stake in the company, which brews Budweiser beer.

However, documents relating to Elders' plan to take Elders Investments private no longer list the Anheuser-Busch stake. Mr Andrew Cummins, Elders Investments chief executive, confirmed that the parcel had been sold in October.

"In a group as diverse as ours we take this kind of investment because they sometimes develop into major acquisitions," Mr Cummins said. "In this case we decided we had more important things to invest in."

Elders considered Anheuser-Busch "an awesome company" and was "always keeping an eye on it in the longer term," he added.

Sumitomo Bank applies to join MasterCard

By David Barchard

SUMITOMO BANK, the largest issuer of Visa cards in Japan, has applied to join MasterCard International. It is expected to begin issuing MasterCards in April.

Sumitomo is to become a member of the organisation through its subsidiary Sumitomo Credit Service. A total of 21 of the bank's affiliated institutions have agreed to issue MasterCards.

Meanwhile, an official at the Regional Banks Association of Japan said yesterday that member banks in the association were planning to issue major US and Japanese credit cards to their customers for the first time.

Regional banks are likely to begin issuing Visa, MasterCard and JCB cards in 1990, the official said. The decision to join credit card networks reflects the need for credit cards felt by growing numbers of Japanese when travelling and shopping abroad.

Hong Leong in Apollo bid

HONG LEONG Enterprises, a Singapore investment holding company with interests in property and finance, has launched a takeover bid for Apollo Enterprises, owner of the island's Apollo Hotel, AP-DJ reports from Singapore.

The company plans to pay S$1.70 per share. Apollo last closed at S$1.65 on the Singapore Stock Exchange before trading was suspended on Monday. The offer values Apollo at some S$54m (US$27.8m).

Hong Leong has built a stake in Apollo in two transactions. It bought 5.6m shares, or 17.6 per cent, through a subsidiary of King's Hotel, which is owned by the Hong Leong group. On Monday Hong Leong further agreed to acquire 4.5m shares at S$1.70, representing 14.1 per cent of the capital.

The offer is conditional on Hong Leong gaining more than 50 per cent of the voting rights in Apollo.

Guinness strikes Korean deal

By Lisa Wood

UNITED DISTILLERS (UDG), the spirits operation of the UK's Guinness drinks group, has signed an exclusive joint venture agreement with Jinro, South Korea's largest spirits company, to distribute its Scotch whisky brands in Korea.

The deal anticipates the Korean Government's declared intention to liberalise the market for imported drinks, which at present have very limited distribution in Korea.

Initially the agreement covers the UK group's VAT 69 whisky, but agreement in principle has been reached for the distribution of other Scotch brands.

UDG, which will have exclusive access to Jinro's distribution network, said this would place it in a strong position in a market where imported premium spirits were seen to have considerable potential.

The agreement is part of UDG's strategy of taking greater control over the distribution of its brands. In the past year it has established a series of joint venture businesses with Moët Hennessy and, in some cases, Jardine Matheson, across South-East Asia.

Chiat/Day 'to make Mojo offer'

MOJO MDA, Australia's only listed advertising agency, said yesterday it expected a friendly takeover bid from Chiat/Day, a US creative agency, AP-DJ reports from Sydney.

Mojo said in a statement to the Australian Stock Exchange that discussions being held with several international advertising organisations could lead to the company being taken private, with its two main operating divisions becoming involved in separate international joint ventures.

Mojo said it made the statement because of press speculation about a restructuring of the company.

If the plans for a takeover offer proceed, the Mattingly agency, a unit of Mojo, and Mojo's Marketing Communications division would be sold to a joint venture comprising Eurocom of France, Japan's Dentsu, Young & Rubicam of the US and Mr Malcolm Spry and Mr David Mattingly, two Mojo directors.

Mojo said discussions had been based on a bid of A$2.20 a share for Mojo by Chiat/Day. Such a bid would amount to around A$80m (US$69m).

Mojo has offices in Sydney, Melbourne, Brisbane and Perth, as well as international offices in New York, San Francisco, London, Houston, Singapore, Hong Kong and Auckland. It claims international billings of around A$300m.

"The merger with the Mojo agency would represent a first move by Chiat/Day to expand internationally through links with other high-profile creative agencies and discussions have taken place with leading UK/European groups," Mojo said.

If the takeover goes ahead, a new company called Chiat/Day/Mojo would be formed. It would have projected billings for 1989 of more than US$1bn, placing the company among the 20 largest advertising agencies in the world.

The Mattingly agency and Marketing Communications would become part of an international agency, HDM, to be known as HDM Mattingly.

Mr Mike Aronsten, a Mojo director, said the agency found it "too restrictive" as a stock exchange listed company. The company went public in 1987. "Advertising isn't suited to being a public company," he added.

Mojo shares traded below the projected offer price at A$2.15 after the announcement yesterday, down from Monday's close of A$2.25.

● Kelly Services, the US personnel placement group, said it had acquired the business of City Consulting Group, a private Australian personnel company, Reuter adds from Melbourne.

No price was disclosed for the acquisition.

INTERNATIONAL COMPANIES AND FINANCE

Sacked Co op chief plans legal battle

By Haig Simonian in Frankfurt

MR BERND OTTO, the sacked chief executive of Co op, the leading West German food retailer which is now majority-owned by four foreign banks, is planning legal action against his summary dismissal in a further twist to the already complex Co op saga.

According to Stern, the weekly *German magazine*, Mr Otto and his two former boardroom colleagues, Mr Werner Caspar and Mr Dieter Hoffmann, have been meeting their lawyers in Switzerland to discuss their tactics.

Co op, which floated part of its shares in October 1987, has been experiencing acute cash-flow problems and highly adverse publicity after a string of allegations of financial irregularities and mismanagement since last October, amid reports of six-figure salaries and generous profit-sharing arrangements for its three former board members.

Mr Hoffman, who was also sacked in December, must be distinguished from Mr Diether Hoffmann, the former head of the Neue Heimat building group, who is now a prominent lawyer in Frankfurt and is not associated with the Co op concern.

Mr Otto describes as "nonsense" accusations that he and his colleagues received some DM6.5m in a profit-sharing arrangement deliberately paid through a non-consolidated Co op subsidiary to keep the figure off the parent company's balance sheet, according to the report.

Although not referred to explicitly, the profit-sharing arrangements, along with various other unspecified misdemeanours, are believed to have played a part in the decision by Co op's supervisory board to sack Mr Otto and his colleagues for what were only described as "serious reasons."

Co op itself, which is currently being run by an "interim" managing board pending the appointement of a new team, declined to comment on the interview yesterday.

No date has yet been set for the company's next supervisory board meeting, which is expected to announce the names of its new top management.

Meanwhile, there are signs that Co op's trading difficulties may not be as temporary as some bankers involved in the rescue have implied. According to preliminary figures leaked to the German press, group sales rose to DM12.2bn last year from DM10.4bn in 1987.

However, much if not all of the increase appears attributable to new acquisitions. The 15 per cent rise in turnover by Co op's main food retailing subsidiary, Co op Handels, can be put down to the purchase of the Werhahn store group. Unadjusted for the purchase, food sales stagnated.

Although turnover picked up in the second half, sales for the year as a whole remained below target. "Economically speaking, 1988 was a difficult year," said the group.

In a further twist, Swiss Bank Corporation, whose German subsidiary now holds around 28 per cent of Co op's shares, has been required by the German Federal Cartel Office to reduce its majority stake in Kafu-Wasmund Handelsgesellschaft, a Bremen-based retailer.

Together, Kafu-Wasmund, which has annual sales of DM1.8bn, and Co op had a dominant market share in certain areas, according to the cartel office.

It remains unclear whether the bank will now simply reduce its Kafu-Wasmund stake to below 25 per cent or seek to dispose of its holding altogether.

Bernd Otto: described the accusations as 'nonsense'

Strong progress reported by US paper group

By James Buchan in New York

INTERNATIONAL PAPER, the large US paper company, continued its strong progress in the fourth quarter of 1988 and expects to post higher earnings through the current year.

The New York-based company, which is leading a sturdy and long-lasting cyclical boom in the North American paper industry, reported a 65 per cent increase in December quarter net earnings.

This marks a modest slowdown in International Paper's growth of 90 per cent reported in the 1988 third quarter, and 100 per cent in the second quarter, but shows that demand and prices for paper products remain strong.

In the December quarter, International Paper said its earnings were $206m or $1.81 a share on the strength of a 25 per cent rise in sales to $2.5bn. The performance lifted earnings for the year as a whole to $754m or $6.57 a share, an increase of 85 per cent. Sales were 2 per cent up at $9.5bn.

Mr John Georges, chairman, said: "Our white papers, market pulp and packaging businesses turned in particularly impressive results in 1988. For the second consecutive year, all our mills producing paper and paperboard operated at or near capacity throughout the year."

Mr Georges announced that the company would increase its capital spending to $900m to modernise plants and to provide "selective capacity additions." The US industry, anxious about a cyclical downturn, has been cautious about adding new paper capacity.

"We will continue to emphasise investments in higher-margin, value-added products which are less sensitive to economic cycles," he said.

Mr Georges said that he believes markets for paper and paperboard will remain strong.

RWE's profits edge downward

RHEINISCH-Westfaelisches Elektrizitaetswerk, (RWE), the West German electric utility, yesterday reported that group net profit in the year ended June 30 declined by 1.6 per cent to DM766m from DM779m in fiscal 1987, AP-DJ reports.

Sales dipped 1 per cent to DM26.86bn from DM27.16bn in the previous fiscal year. The 1988 figure does not include the results from RWE's new subsidiary DEA Mineraloel, formed on the basis of the former Deutsche Texaco, acquired by RWE from Texaco last June.

Mr Friedhelm Gieske, RWE's chairman said RWE will keep the dividend steady at DM8 per share.

Last year he had said earnings in 1987/1988 would not be "better" than in the previous fiscal year because of high write-offs related to RWE's investment in pollution control.

Rambo faces his toughest test

Karen Fossli reports on the fight DnC's chief has on his hands

DEN norske Creditbank (DnC), once Norway's largest bank, faces a true test this year which could either make or break the radical reorganisation implemented by Mr Kristian "Rambo" Rambjoer, DnC's relatively new chief executive, and his hand-picked clean-up team.

By his own admission Mr Rambjoer knows that in 1989 "we will face the first test of what we've been trying to do to restore the health of DnC."

In August DnC revised upwards its forecast for loan losses in 1988 to NKr1.5bn ($225m) from an earlier estimate of NKr1.1bn. For 1987 the bank suffered losses on loans and securities of NKr1.5bn amid a record number of bankruptcies in Norway and widespread economic problems caused by low oil prices.

Two years of losses, a plunging equity ratio, combined with a criminal lawsuit against a former securities dealer, and a top-heavy organisational structure laden with myriad managers, is what Mr Rambjoer took on when he joined DNC.

Mr Nils Landsnes, who was chosen to lead the banking division, explained that for years DnC had been plagued by a lack of organisational accountability, no scrutinisation of loans, no systematic approach to management and had long forgotten what he described as being the "handicraft" of the banking business.

"What DnC was into was 'sales pushing,'" he said – or making too many new loans and taking greater risks in foreign exchange to retain its competitive edge over the other two big banks, Christiania and Bergen Bank.

Six trouble-shooting teams were established to look in-depth at the bank's budget, staffing, marketing approach structure and losses. The teams were meant to identify what was necessary to clean up these individual problems.

The sweeping changes introduced in 1988 included a 20 per cent cut in staff and reorganisation in to four divisions from five. *Domestically DnC has* divided the country into five major regions where 22 district offices will oversee 44 local bank affiliates.

The district branches will play a major role in the new organisational structure as they will have to account to Oslo for their respective local banks. They will also become "field oriented."

In addition, the volume of the bank's loans has been cut by 10 per cent and costs have been cut by 20 per cent.

Mr Rambjoer has also taken on a fresh, open approach to communication.

"Because of the kinds of radical changes which had to be implemented, we didn't want any mysteries or surprises to come to anyone," explained Mr Jarl Veggen, DnC's new information chief.

One of the first things Mr Veggen did when he joined the bank was to establish an internal newsletter, published weekly, to keep employees informed of the changes being made. It is partly for this reason that DnC's staff cutbacks did not cause a major demonstration by the country's labour unions.

Kristian Rambjoer: trying to restore DnC's health

The bank's 60,000 shareholders and its clients were sent letters of explanation of the changes being made within the bank by Mr Rambjoer and promises of returning to profit by 1990.

"With profitability as our main goal, DnC will become a more effective and market-oriented bank with a rational operation which promises to secure a high standard of service," the letter says.

Should Mr Rambjoer's efforts pass the test of 1989, he says that he does not rule out co-operation or even a potential merger with another bank or insurance company to further strengthen DnC's future.

This would have to clear the Norwegian authorities which have held a restrictive stance on bank ownership. There are signs, though, that they are opening up to increased foreign ownership in Norwegian industry and insurance companies, which have struggled this year to raise fresh capital in Norway's lacklustre stock market.

However, the outlook for Norway for 1989 sees soaring unemployment and bankruptcies which are expected to top 1988's official forecast of a record 4,500 to 5,000 – a situation which even Rambo couldn't turn around.

Acec in new Alsthom deal

By Tim Dickson in Brussels

ACEC, Belgium's depressed electrical engineering company, which is controlled by Société Générale de Belgique, announced yesterday that it has sold a majority stake in its industrial controls business to CGEE Alsthom, the subsidiary of France's Compagnie Générale d'Electricite.

The move almost brings to a close the series of disposals and new joint venture projects at Acec inspired by the La Générale management brought in by the company's new owners Compagnie Financière de Suez after its bitter takeover battle last year with Mr Carlo De Benedetti.

Acec Automatisme, as the industrial controls activity is known, employs about 250 people and is expected to achieve sales of BFr1.5bn. this year, of which 20 per cent will be exported. No price for the transaction has been disclosed.

Acec – owned 51 per cent by Cedee, which in turn is 65 per cent controlled directly and indirectly by La Générale – has already sold 51 per cent of its energy subsidiary to Alsthom and is in the process of finalising the sale of its entire transport business to the French group.

Acec's turbo generator activity at Ghent was recently sold to ABB and negotiations are proceeding to dispose of its SDT (Space, Defence and Telecommunications) subsidiary. Local press speculation that the French telecommunications group Alcatel will take a 60 per cent stake and the La Générale subsidiary Tractebel and the regional investment company of Wallonia each 20 per cent, is understood to be not far wide of the mark.

● Petrofina, the Belgian oil major, is shortly expected to announce record profits of some BFr20bn ($298m) for 1988, due chiefly to sustained improvement in petrochemicals, David Buchan reports.

Advance notice of the 1988 profit figure, which compares with BFr17.5bn for 1987, slipped out from a private briefing yesterday of Petrofina employees by Mr Jean-Pierre Amory, president.

The company yesterday confirmed the news, but said it would wait until the end of this month to publish full details, plus the dividend it would propose to the annual shareholders meeting in May.

Petrofina is Belgium's largest industrial company with 22,000 employees worldwide, including the US where it owns American Petrofina. Its previous record profit of BFr18.3bn came in 1986, and its performance in 1987 was depressed by low gas prices and renewed price competition in refining.

Inspectorate buys remaining stake for $37m

By William Dullforce in Geneva

INSPECTORATE, the Swiss services group controlled by Mr Werner Rey, is paying $37m to acquire the remaining shareholdings in Interactive Technologies of Dallas, a company specialising in advanced security systems.

Inspectorate said yesterday that a shareholders' committee had recommended acceptance of its offer of $17¾ a share and $9¾ a warrant made through Network Security, the US subsidiary it acquired in 1987. Network already held more than half the share capital.

With the addition of Interactive Technologies' turnover – some $29m last year – the Inspectorate group's sales of security equipment should reach SFr165m ($110m) in 1989.

INTERNATIONAL CAPITAL MARKETS

Lead managers step in to support Swiss issues

By Andrew Freeman

NEW ISSUE activity continued apace yesterday in London, but Switzerland ran into renewed trouble as investors stayed on the sidelines and several recent issues had to be supported by their lead managers – a reluctance to buy paper was put down to a general anticipation of higher yields.

The Swiss market came under pressure as the annual yield on the latest issue of domestic three-month money market certificates rose to 5.251 per cent from 4.679 per cent, the highest level for nearly seven years. In addition, one of the leading banks raised the yield on some cash bonds by a quarter of a point.

Several recent Eurobond issues which dropped sharply on Monday showed signs of recovery yesterday, but this was attributed to support by lead managers. For example, a 4⅞ per cent, 10-year issue for Oesterrische Kontrollbank, which was trading on Monday at less 3¼ bid, closed at less 3, after improving earlier to less 2¾ bid.

The Heron International 5½ per cent 10-year bonds recovered from Monday's less 2⅝ bid to less 2 bid, after less 1¾ bid at the best. However, the lead manager in this case denied supporting the issue.

Yesterday's new issue for Austria which came out in mid-afternoon was said to have added to the pressure on the market and led to the fall in prices before the close. It was trading at less 2¼ bid on the grey market, just around its fees.

In London, the US dollar sector was tapped again, with

INTERNATIONAL BONDS

Bank of Tokyo Capital Markets following the World Bank's lead by bringing a successful $150m issue for the Japanese Finance Corporation for Municipal Enterprises. The 7-year bonds are guaranteed by the Japanese Government and proved attractive to UK and middle eastern institutions.

Priced at 101⅝ to yield 38 basis points over the benchmark US Treasury, the bonds, which carry a 9⅞ per cent coupon, were quoted by the lead manager at a closing discount to issue price of 1.33 bid, well inside total fees of 1⅞ per cent. The issue was thought to have been swapped into yen.

Another successful launch was Union Bank of Switzerland's C$75m two-year issue for ASLK/CGER, the government-owned Belgian bank. Continental demand for the 11.5 per cent coupon was strong and the issue size was increased from C$60m to reflect this.

The bonds were sold-out by the end of the day and were quoted by the lead manager at less 0.95 bid, less 0.85 offered, well within fees of 1⅛. Payment date is February 14.

Wood Gundy launched a C$75m 10-year bond for Metro Toronto, taking advantage of the interest aroused by Hydro Quebec's 10-year issue on Monday.

The bonds, which carry an 11 per cent coupon and were priced at 101⅛ per cent to yield 50 basis points over comparable government securities, were traded at less 1⅝ less 1½, well inside total fees of 2 per cent.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Japan Finance Corp.◆	150	9⅞	101⅝	1996	1⅞/1¼	Bank of Tokyo Cap.Mkts
CANADIAN DOLLARS						
Metro Toronto◆	75	11	101⅛	1999	2/1⅜	Wood Gundy
ASLK-CGER◆	75	11½	101½	1991	1⅛/⅝	UBS (Secs)
AUSTRALIAN DOLLARS						
State Bank of Victoria◆	75	15¼	101¾	1991	1¼/¾	Merrill Lynch Cap.Mkts
Issue increased:						
St.Bk Sth Australia(a)◆	100	15¼	101¾	1991	1¼/¾	Hambros Bank
D-MARKS						
EIB◆	600	6¼	100⅝	1999	1¾/1⅛	Deutsche Bank
SWISS FRANCS						
Austria◆	250	5	100	2014	n/a	UBS
Cie Bancaire★★◆	100	5	101¼	1994	1⅜	Bqe Paribas (Suisse)
First Credit Corp.★★◆	30	4⅞	100⅛	1994	1⅜	LTCB of Japan(Schweiz)
Tsuzuki Denki Co.(b)§★★	60	(½)	100	1993	n/a	Credit Suisse
FRENCH FRANCS						
Eurofima◆	500	8⅝	101⅜	1996	1⅞/1¼	CCF
YEN						
Council of Europe◆	25bn	5	101¼	1999	2/1⅜	Daiwa Europe

★★Private placement. ◆Final terms. a) Increased from A$75m. b) Indicated put option at 108¼ to yield 3.501%. §Convertible.

FT INTERNATIONAL BOND SERVICE

Listed are the latest International Bonds for which there is an adequate secondary market.

Closing prices on January 10

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92¾	93¼	-0¼	-1	10.23
A/S Eksportfinans 7¼ 92	150	92⅝	93⅛	0	-0¼	10.09
B.F.C.E. 7 92	150	92¼	92½	0	-0⅛	9.90
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	101⅞	102⅛	+0⅛	-0⅜	4.80
Belgium 4⅝ 94	45	98⅛	98⅜	+0⅛	-0⅜	5.00
Canada 4⅜ 92	80	98⅝	98⅞	-0⅛	-0⅜	4.77
[illegible]						

Whirlpool in $800m standby credit

By Stephen Fidler, Euromarkets Correspondent

WHIRLPOOL, the US maker of domestic appliances which this month closed a joint-venture agreement with Philips of the Netherlands, is raising an $800m standby credit in the international loans market.

The multicurrency financing, being arranged by Credit Suisse First Boston, is for five years. There is an uncommitted facility in which banks may tender advances and a committed facility, paying a commitment fee of 8 basis points for the first three years and 10 basis points thereafter. Together the facilities cannot exceed $800m.

If drawn, it pays instead 25 basis points over London interbank offered rates with a utilisation fee of a further 10 basis points for drawings over 50 per cent.

The financing will, among other things, support an expansion of the company's existing US commercial paper programme. Its acquisition of 53 per cent of Philips's worldwide white goods businesses will initially use short-term financing.

Under the joint venture announced in August, in which the US company was seen as positioning itself in Europe ahead of 1992, Whirlpool bought a 53 per cent stake in the worldwide white goods businesses of Philips for about $470m.

It paid some $360m of this last week. Over the next three years, it can either cement the joint venture, which is being called Whirlpool International, by paying a further $110m or has an option to buy out Philips for about $350m.

Front-end fees range down from 5 basis points for an $80m commitment.

● Speyhawk, the British property development company, said it established a $50m sterling commercial paper programme with a US dollar option. Barclays de Zoete Wedd arranged it and Hill Samuel and Morgan Grenfell are also dealers.

MidAmerica Commodity trade at record

By Deborah Hargreaves in Chicago

TRADING volume at Chicago's MidAmerica Commodity Exchange soared by 43 per cent last year to an all-time high of 3.4m contracts, breaking the previous record set in 1983.

The exchange, which is affiliated with the Chicago Board of Trade, lists smaller versions of futures and options contracts traded at Chicago's majors. Last year, the MidAm notched up sizeable volume increases in grain futures and options as well as Treasury bond and currency futures.

At the same time, trading volume on the Financial Instrument Exchange (Finex), an arm of the New York Cotton Exchange, reached a record 1.3m contracts last year. The Finex trades five-year Treasury note and US dollar index futures contracts as well as futures on the European Currency Unit. Early this year it plans to launch two-year US T-note futures.

Milan SE ready to accept tax on capital gains

By Alan Friedman in Milan

MR ATTILIO VENTURA, the newly installed chairman of the executive committee of the Milan Stock Exchange, said yesterday he is prepared to accept the idea of capital gains taxes on bourse dealings.

But Mr Ventura, in his first press conference since being elected chairman, said he would reject any "punitive" legislation which imposes capital gains taxes. At present there are no such taxes on Italian share transactions.

The prospect of capital gains taxes has been under discussion for years in Italy, but each time it is suggested by Rome politicians the bourse reacts by marking down share prices. Yesterday marked the first time a stockmarket leader had publicly acknowledged the possibility of such taxes being imposed.

Mr Ventura also said yesterday that he favoured the approval of legislation in parliament to outlaw insider trading, a practice that is widespread and unregulated in Milan. The new stock exchange chief was not prepared, however, to suggest prison sentences for offenders, as is the practice in other markets such as Wall Street. "That is a matter for parliament or magistrates," Mr Ventura claimed.

INTERNATIONAL CAPITAL MARKETS

Treasuries gain ground as dollar moves higher

By Janet Bush in New York and Katherine Campbell in London

US TREASURY bonds had scored modest gains by midsession yesterday, partly reflecting the dollar's strength despite more intervention by the US Federal Reserve. Short-dated maturities were quoted as much as ⅛ point higher. The 8.5 per cent issue due 1991 was quoted unchanged from Monday's close for a yield of 9.28 per cent. At the long end, the Treasury's benchmark long bond was quoted ¼ point higher to yield 9.02 per cent.

The dollar dipped after the US Federal Reserve was reported to be buying D-Marks against the US currency at around DM1.8335. However, the dollar then jumped again after Mr Beryl Sprinkel, chief White House economist, was reported to have questioned the validity of intervention.

At the New York midsession, the dollar stood just below its day's highs at DM1.8375 and at its peak against the Japanese yen of Y126.35.

Bond prices are tracking the dollar very closely at the moment and will probably continue to do so unless other news exerts an influence. There are no economic figures due until Friday when December retail sales and producer prices will be in focus.

The market is also interested in the meetings between Mr Nicholas Brady, US Treasury Secretary, and Mr Nigel Lawson, British Chancellor of the Exchequer, yesterday and Mr Gerhard Stoltenberg, West German Finance Minister, in the latter half of this week.

The Fed announced $1bn in customer repurchase agreements against expectations of a $2bn customer repurchase. Fed funds opened at 9⅛ per cent but then edged higher to 9¾ per cent by midsession.

Economists at Griggs & Santow said the smaller than expected repurchase constituted a modest protest at the strength in the funds rate and confirmed that the central bank is targeting funds at 9 per cent to 9¼ per cent.

THE SWEDISH bond market has been pinning its hopes firmly on a date for currency deregulation that will allow foreign investors to purchase domestic government bonds. Last week yields fell up to 25 basis points in anticipation.

Yesterday, the Finance Minister included in his 1989 budget speech proposals to lift foreign exchange controls later this year, although he failed to specify a date. Legislation to sew up tax loopholes has to be passed by the parliament first.

In initial trading yesterday, yields were sharply down, up to 30 basis points, but bounced up somewhat after the announcement failed to produce the spring date the market had been hoping for. The benchmark 13 per cent bond due 1992 ended the day at a yield of 10.48 per cent, 16 basis points lower than the previous day's close.

Foreign investors have shown lively interest in the Danish bonds and are likely to be keen buyers of Swedish debt. Although the Danish market dwarfs the Swedish counterpart in terms of total outstandings because of the large mortgage bond sector, Salomon Brothers' figures for the end of 1987 show Swedish as $20bn larger than Danish in terms of just government bonds. A year ago, outstandings of an equivalent $68.7bn ranked Sweden as the 10th largest government bond market in the world.

GOVERNMENT BONDS

THE RECENT spate of issues in the Euro-Australian bond sector has suggested to Drexel Burnham Lambert a trading strategy to tap this investor enthusiasm for Australian dollar currency exposure. Rather than simply buying Australian dollar government bond paper, they suggest a trade which gives A$ exposure combined with the more attractive New Zealand interest rates.

Investors who buy the NZ 14 per cent bond due July 1992 can gain exposure to the Australian currency by selling the principal and the next 3 months accrued interest in the forward market. That deal is then unwound 3 months hence when the bond is sold. The NZ bond currently yields 14.07 per cent.

Drexel feels lower domestic interest rates are a good bet, but anticipates a weaker currency. Hence the benefit of the currency switch.

BRITISH Government stock traded in a very confined range yesterday, with the absence of any economic news and the relative strength of the dollar choking off demand. The long gilt future traded in a quarter point range, closing at 95.17 after a high of 95.23. The short end of the cash market advanced a quarter point, underpinned to some extent by the first reverse gilt auction on Friday, when the Bank of England will buy in up to £500m of short-dated stock.

BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.500	9/92	108-08	+11/32	10.74	10.85	11.01
	8.750	9/97	92-02	+10/32	10.15	10.19	10.24
	9.000	10/08	97-21	+7/32	9.26	9.29	9.28
US TREASURY *	8.875	11/98	97-26	+5/32	9.21	9.23	9.05
	9.000	11/18	99-18	+6/32	9.04	9.10	8.97
JAPAN No 111	4.800	6/98	98.0897	+0.258	4.74	4.73	4.55
No 2	5.700	3/07	109.3793	+0.106	4.74	4.76	4.72
GERMANY	6.750	8/98	100.4750	+0.050	6.70	6.69	6.56
FRANCE BTAN	8.000	10/93	98.0275	+0.075	8.50	8.55	8.54
OAT	9.500	5/98	108.0000	+0.180	8.53	8.65	8.71
CANADA *	10.250	12/98	99.5000	-0.125	10.33	10.25	10.03
NETHERLANDS	6.7500	10/98	100.4250	-	6.76	6.71	6.60
AUSTRALIA	12.500	1/98	98.1799	+0.129	12.84	12.98	12.42

London closing. *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

Sweden to abolish exchange controls

By Robert Taylor, Nordic Correspondent

SWEDEN INTENDS to abolish its remaining foreign exchange controls this year, it was announced in the country's budget for 1989 published yesterday. The move is designed to bring the country into line with liberalisation in the European Community's money markets.

The proposal to levy a 15 per cent tax on business profits made this year and revealed on New Year's Eve by finance minister Mr Kjell-Olof Feldt, caused a brief fall for share prices but they quickly recovered and yesterday's enthusiasm on the stock exchange - share turnover was its heaviest this year - suggests that it has done no lasting damage to business confidence.

Nor does it seem that any harm has been inflicted by the budget measure, also announced on 31 December, to reduce the deduction for losses on shares sold after less than two years from 100 per cent to 40 per cent, which is aimed at reducing the opportunities for tax planning.

No specific details were released yesterday on the exact timing of the promise to remove all foreign exchange controls but the Central Bank will be expected to push ahead with decisions once parliament has given its approval to the proposed liberalisation.

"It is essential that the Swedish capital market has a structure that furthers competition and has the ability to adapt to current international developments," said the budget statement.

It points out that during the 1980s Sweden had already liberalised its tight exchange controls, by abolishing the foreign financing requirement for outward direct investment and making it possible for Swedish residents to invest in real estate and buy foreign shares on a large scale.

But the budget statement made it clear that the Swedish Government did not anticipate that this would involve a dramatic uncontrolled outflow of capital from Sweden. Permits will be needed from the banks to carry out foreign business.

Busy year for LDC debt trading

Stephen Fidler on the secondary market in Third World loans

Last year was, on the face of it, an outstanding one for the secondary market in loans to developing countries.

The market, where Third World loans trade at significant discounts to face value, more than doubled in size compared with 1987. Estimates by Libra Bank, the London-based consortium bank and an important market participant, put turnover as high as $40bn, compared with $15bn to $20bn in 1987.

The potential importance of the market has also grown. It allows debtor countries to reduce their debt burdens and capture some of that market discount for their own benefit. In the face of continued unwillingness of commercial banks to make new loans to developing countries, such debt reduction is now regarded as an important potential element of the strategy to resolve the debt crisis.

Debt reduction implies the voluntary participation of banks, which bankers contrast with forgiveness which they say implies the compulsory writing off of debts. Debt reduction techniques encompass corporate restructurings, buy-backs in the market of debt, debt-for-equity swaps and debt-for-debt swaps, in which loans are swapped by banks for bonds or other higher quality obligations. Most market turnover does not, however, result in any benefit to the debtor country and simply involves the switching of loans among banks.

Although a handful of firms mainly in New York and London dominate the business, around 50 are now equipped to swap bank loans. This kind of competition has driven down profit margins for dealers. A few years ago, middlemen were making at least 1 per cent on each transaction. Now, they often come away with just an eighth. Many banks now try to profit by linking the market to their corporate finance or merchant banking operations, helping their multinational or Latin American corporate clients.

This expansion of capacity has taken place, paradoxically, in a bear market. Secondary market prices were weak through much of last year, largely because of the selling encouraged by the move in December 1987 by the Bank of Boston to increase provisions and charge-offs for developing country debt. This encouraged parallel moves by other US regional banks analagous to the provisioning round triggered among the main US, Canadian and British banks by Citicorp in the previous May.

Prices dropped further across the board in last year's final quarter, which contributed to a slowdown in business which could well continue into 1989. Although they have since recovered somewhat, prices slumped by up to 20 per cent. Loans to Brazil, for example, fell to a low of 36 cents on the dollar from 57 a couple of months earlier. Loans to Argentina dropped at one time to a record low of 18 cents on the dollar.

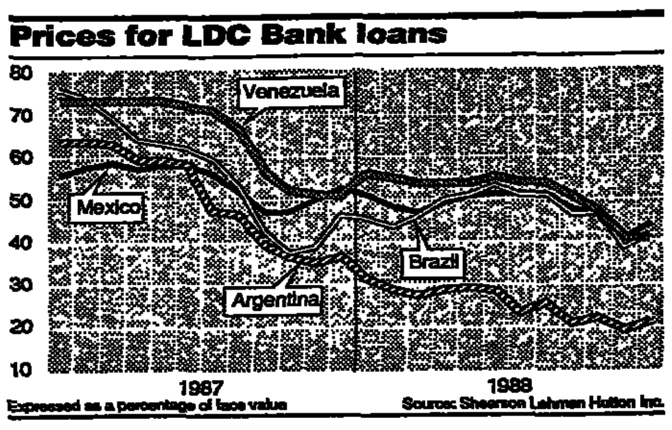
In the final quarter, the $5.2bn in new loans agreed by banks for Brazil in a rescheduling package arranged in September played a large part in encouraging the price falls. The US stock market rewards banks which are making rapid progress in reducing their developing-country portfolios with a higher stock price. As banks took on extra exposure by participating in the Brazilian deal, they were selling loans on to the secondary market to keep their Third World exposure down and their stock market rating up.

As economists at Morgan Guaranty state in the latest issue of World Financial Markets: "Dominated by tax and balance sheet considerations, these discounts no longer display a consistent relationship to objective measures of LDC debt servicing capabilities."

Secondary-market prices, in the short to medium term anyway, do not reflect the likelihood of ultimate payment or even any kind of judgment about the present value of the stream of likely interest and principal payments.

Although debt swaps between banks sometimes reflect banks' perceptions of relative risk, the majority of trading takes place where there are special local factors as work, in particular the existence of an active debt-to-equity swap programme. Brazil's debt was the most actively traded of all last year not because the country ended its debt moratorium but because of permitted activity in debt conversions.

Prices for LDC Bank loans



Expressed as a percentage of face value. Source: Shearson Lehman Hutton Inc.

Partly because of this, trading volume differs significantly among countries. Trading in Brazilian debt may this year have approximated a true, albeit thin, market, with reasonable two-way business, but for many other countries prices are indicative and only the occasional small parcel ever changes hands.

Even in loans to large debtors such as Mexico, trading can be very thin and seasonal. One London banker tells of a transaction last month for a Mexican company that had made a debt restructuring agreement with a bank. Under the agreement, the company was to cancel some debt by delivering cash to the bank and some discounted loans of the United Mexican States.

The company had arranged to buy the Mexican sovereign debt from the London banker, who in turn had negotiated to obtain the debt from a second bank which had promised rapid delivery. The loans never arrived. The reason, he found upon investigation, was that the the debt he was awaiting was the debt he had promised to deliver to the Mexican company.

While bank regulators undoubtedly accept that the secondary market is an unreliable guide to the value of banks' loan portfolios, the market affects bank perceptions of their portfolios. Bankers worry about contamination, the possibility that all their loans to a country will be valued at the same low price at which they have traded it in the secondary market. The suspicion that some countries will be able surreptiously to buy back their debt at a discount makes many of them even more unwilling to participate in new money packages for indebted countries.

The recent fall in prices, while ostensibly "good" for the debtors since it allows them to capture a bigger discount on their loans through debt conversion programmes, is worrying traders because it reduces, other things being equal, the willingness of banks to sell loans.

With many US banks carrying provisions of only 30 per cent on their portfolios of Third World debt, it would still be deeply painful to realise the 80 per cent loss implicit on selling a loan to Argentina at its current secondary market price.

Another worrying development for traders comes from the demand side. A lack of natural demand for these loans and the inability to find investors willing to speculate in them – despite the optimistic claims from some quarters – has been a chronic market symptom which continues to depress turnover.

The exceptions have usually been provided, as already noted, in those countries with active debt-to-equity swap programmes in which discounted debt is swapped for local currency which is invested to local enterprises. Mexico's *debt-equity programme* was on hold all last year. Now, judging from the discussion under way in Brazil and in some other countries, there is something of a reaction against such programmes, which could reduce their importance.

Tomorrow Stephen Fidler follows up this article with a look at debt reduction as an answer to the debt crisis.

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS Figures in parentheses show number of stocks per section	Tuesday January 10 1989 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1989 to date	Mon Jan 9 Index No.	Fri Jan 6 Index No.	Thu Jan 5 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (209)	808.75	+0.2	11.57	4.40	10.59	0.00	806.94	794.03	788.98	733.96
2 Building Materials (28)	969.70	+0.1	13.13	4.69	9.37	0.00	968.34	958.50	955.92	967.32
3 Contracting, Construction (39)	1515.23	+0.9	13.88	4.03	9.97	0.00	1502.41	1492.34	1481.83	1409.10
4 Electricals (10)	2379.68	+0.8	9.18	4.74	13.26	0.00	2361.14	2319.06	2314.24	2016.00
5 Electronics (30)	1896.87	-0.7	9.89	3.44	13.09	0.00	1909.41	1844.62	1825.30	1516.68
6 Mechanical Engineering (55)	424.67	+0.7	11.21	4.40	10.86	0.00	421.74	415.20	412.01	381.85
8 Metals and Metal Forming (7)	464.72	+0.3	16.63	6.35	6.79	0.00	463.29	461.35	455.94	451.60
9 Motors (17)	266.72	+0.4	12.25	4.96	9.46	0.00	265.73	263.71	262.62	270.63
10 Other Industrial Materials (23)	1359.33	+0.4	10.03	4.60	11.79	0.00	1353.52	1338.85	1334.14	1242.99
21 CONSUMER GROUP (187)	1046.55	+0.4	9.86	3.99	12.71	0.00	1042.57	1034.52	1027.51	1020.05
22 Brewers and Distillers (21)	1135.71	+0.2	11.17	3.93	11.18	0.00	1133.54	1130.95	1126.81	965.72
25 Food Manufacturing (21)	955.20	+1.0	9.68	4.03	12.96	0.00	945.48	942.84	939.71	831.04
26 Food Retailing (15)	1827.71	-0.1	9.81	3.81	13.41	0.00	1830.30	1807.76	1807.43	2056.36
27 Health and Household (13)	1860.31	+0.8	7.21	2.91	15.89	0.00	1846.42	1826.62	1802.12	1719.49
29 Leisure (32)	1373.96	+0.3	8.52	3.68	14.98	0.00	1369.56	1359.41	1354.99	1156.75
31 Packaging & Paper (17)	537.49	-0.6	10.37	4.19	11.99	0.00	540.73	536.38	529.60	508.15
32 Publishing & Printing (19)	3311.66	+0.4	9.23	4.63	13.56	0.00	3297.11	3275.75	3254.53	3448.57
34 Stores (34)	701.56	+0.4	12.07	4.90	10.89	0.00	698.74	690.68	683.72	833.16
35 Textiles (15)	476.36	-1.1	14.51	5.95	8.25	0.00	481.53	476.44	470.24	580.32
40 OTHER GROUPS (91)	921.05	......	11.19	4.67	10.96	0.00	920.84	910.15	903.71	847.91
41 Agencies (18)	1090.40	+0.7	8.84	2.69	14.27	0.00	1082.60	1060.70	1054.12	1066.01
42 Chemicals (22)	1074.19	+0.6	11.93	4.91	10.10	0.00	1067.45	1055.46	1042.64	1097.96
43 Conglomerates (12)	1283.69	-0.8	10.47	5.58	11.23	0.00	1294.48	1281.08	1270.59	1130.45
45 Shipping and Transport (12)	1909.02	-0.3	10.42	4.37	12.55	0.00	1914.76	1878.09	1850.80	1740.13
47 Telephone Networks (2)	1021.74	-0.1	11.50	4.60	11.31	0.00	1022.81	1011.26	1009.18	880.24
48 Miscellaneous (25)	1200.06	+0.4	11.99	4.58	9.49	0.00	1195.31	1188.82	1183.56	1117.70
49 INDUSTRIAL GROUP (487)	966.29	+0.2	10.70	4.29	11.56	0.00	963.97	953.27	946.82	909.46
51 Oil & Gas (13)	1757.05	+0.1	10.50	6.32	12.18	0.00	1754.67	1736.98	1726.39	1707.86
59 500 SHARE INDEX (500)	1033.53	+0.2	10.67	4.57	11.64	0.00	1031.20	1019.89	1013.09	977.13
61 FINANCIAL GROUP (127)	683.69	+0.3	-	5.19	-	0.00	681.49	677.75	675.35	647.616
62 Banks (8)	678.07	+1.2	20.90	6.40	6.41	0.00	670.11	667.13	661.16	650.07
65 Insurance (Life) (8)	945.69	+0.2	-	5.70	-	0.00	943.72	937.36	933.96	969.68
66 Insurance (Composite) (7)	532.02	+0.2	-	5.87	-	0.00	531.11	530.73	534.02	501.71
67 Insurance (Brokers) (7)	951.95	-0.1	9.20	6.83	13.59	0.00	953.16	943.78	937.99	988.78
68 Merchant Banks (11)	323.94	......	-	4.63	-	0.00	323.78	322.22	321.31	354.15
69 Property (54)	1221.09	-0.3	5.81	2.76	21.97	0.00	1224.28	1212.22	1208.48	992.62
70 Other Financial (32)	344.60	-0.5	10.16	5.81	12.28	0.00	346.18	345.63	345.07	396.16
71 Investment Trusts (76)	950.40	+0.2	-	3.19	-	0.00	948.55	932.73	927.91	820.10
81 Mining Finance (2)	579.93	......	10.54	3.61	10.57	0.00	580.19	572.07	568.38	442.34
91 Overseas Traders (8)	1294.88	-0.5	9.05	4.89	12.81	0.00	1301.62	1291.82	1275.43	972.33
99 ALL-SHARE INDEX (713)	947.66	+0.2	-	4.61	-	0.00	945.52	935.77	929.97	888.52

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jan 9	Jan 6	Jan 5	Jan 4	Jan 3	Year ago
FT-SE 100 SHARE INDEX♦	1836.0	+4.5	1837.6	1828.6	1831.5	1811.3	1799.5	1793.0	1782.8	1739.2

FIXED INTEREST

PRICE INDICES	Tue Jan 10	Day's change %	Mon Jan 9	xd adj. today	xd adj. 1989 to date
British Government					
1 5 years	118.55	+0.16	118.37	-	0.23
2 5-15 years	133.99	+0.26	133.64	-	0.08
3 Over 15 years	146.98	+0.29	146.55	-	0.00
4 Irredeemables	169.51	+0.43	168.77	-	0.00
5 All stocks	131.93	+0.23	131.62	-	0.12
Index-Linked					
6 5 years	130.18	+0.03	130.14	-	0.00
7 Over 5 years	127.74	+0.22	127.64	0.19	0.19
8 All stocks	127.73	+0.21	127.64	0.17	0.17
9 Debentures & Loans	116.16	+0.04	116.12	-	0.24
10 Preference	86.83	+0.58	86.33	-	0.00

AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 10	Mon Jan 9	Year ago (approx.)
British Government				
1 Low	5 years	9.39	9.43	9.03
2 Coupons	15 years	9.09	9.11	9.66
3	25 years	8.99	9.01	9.46
4 Medium	5 years	10.57	10.63	9.72
5 Coupons	15 years	9.66	9.69	9.85
6	25 years	9.21	9.24	9.66
7 High	5 years	10.80	10.86	9.82
8 Coupons	15 years	9.81	9.84	10.01
9	25 years	9.11	9.16	9.70
10 Irredeemables†		8.96	9.00	9.41
Index-Linked				
11 Inflation rate 5%	5yrs.	3.73	3.73	3.02
12 Inflation rate 5%	Over 5 yrs.	3.72	3.73	4.18
13 Inflation rate 10%	5 yrs.	2.54	2.54	3.53
14 Inflation rate 10%	Over 5 yrs.	3.56	3.57	4.28
15 Debs &	5 years	11.66	11.68	11.06
16 Loans	15 years	11.28	11.29	11.03
17	25 years	10.95	10.95	11.03
18 Preference†		10.35	10.41	10.48

♦Opening index 1828.6; 10 am 1833.2; 11 am 1836.4; Noon 1834.8; 1 pm 1835.7; 2 pm 1836.1; 3 pm 1837.5; 4 pm 1832.4; 4.05 pm 1832.7 (a) 2.58pm (b) 9.00am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	103	1	7
Corporations, Dominion and Foreign Bonds	17	0	34
Industrials	472	332	777
Financial and Properties	161	119	390
Oils	33	15	56
Plantations	2	0	11
Mines	57	23	108
Others	95	56	103
Totals	940	546	1,486

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-	Net Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price £	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988/89 High	1988/89 Low	Stock	Closing Price p	+or-
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

LONDON TRADED OPTIONS

Option		CALLS Jan	CALLS Apr	CALLS Jul	PUTS Jan	PUTS Apr	PUTS Jul
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

January 10 Total Contracts 43,595 Calls 29,535 Puts 14,060. FT-SE Index Calls [illegible] Puts [illegible] *Underlying security price.

UK COMPANY NEWS — THE PROPOSED BID FOR GEC

Charismatic takeover specialist looking for a leading role

Christopher Lorenz and Geoffrey Owen examine the business style of General Electric and Jack Welch, its no-nonsense chief executive

AT FIRST sight, General Electric of the US might seem a similar animal to its smaller British namesake, GEC.

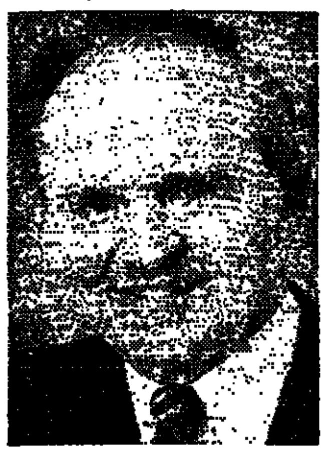
The US giant has a business portfolio whose even greater breadth — from aero engines to financial services and television stations — has provoked considerable criticism from stock market analysts in the past few years on the grounds that it lacks logic and "synergy".

Like GEC, GE is run by an unusually charismatic and no-nonsense chief executive, Jack Welch, who has turned the group upside down since his appointment in 1981, just as the then Arnold (now Lord) Weinstock did in the case of GEC in the late 1960s and early 1970s.

Like Weinstock, Welch is very much a takeover specialist — among his purchases in recent years was RCA in 1985, parts of which were integrated rapidly and others sold off. He is also very much a believer in decentralisation: he has dismantled much of the central bureaucracy he inherited, and lays great store on direct communication between his three-man chief executive office and the heads of his various businesses.

But the parallels cannot be pushed too far. For one thing, Welch is much younger than Weinstock, 53 as against 64. For another, he has spent most of the last three years transforming GE from a group that lacked a position of international leadership in almost all its fields (except aero engines and engineering plastics) into one which sees that objective as fundamental to everything it does.

Welch's new strategy of focusing almost exclusively on businesses which are global leaders in their markets (or



Jack Welch — believes in decentralisation

have the potential to become so very quickly indeed) was one of the main considerations behind its controversial 1987 sale to France's Thomson group of RCA's $3bn-plus consumer electronics business in the US (which was weak internationally), in exchange for the latter's medical systems offshoot, CGR. The same logic underlies GE's current interest in GEC's power generation and medical equipment businesses (and doubtless more besides).

The GE and GEC leadership styles are not as similar as they would at first appear. Behind Jack Welch's dislike of formal planning procedures lies a very intimate involvement, through a wide range of managerial mechanisms, with the development of strategies for every GE business. He puts great emphasis on the grooming of experienced managers who can be switched from one major business to another and on the development of transferable "best practice" in such areas as manufacturing efficiency and product development.

GE 1987 REVENUES	$bn
Aerospace	5.26
Aircraft engines	6.77
Consumer products	5.04
Financial services	0.63
Industrial	4.71
Major appliances	4.72
Materials	2.75
Natl Broadcasting Co	3.17
Power systems	5.00
Technical products and services	3.57
Other	0.59
Corporate items	(1.29)
Total	40.52

GEC's head office style, on the other hand, has been often attacked for being too narrowly focused on financial controls, and too "hands-off" as regards the development of strategies by its various businesses and by the company as a whole.

Welch appears to share Weinstock's aversion to fast-moving high-technology businesses such as semi-conductors and computers which have short product lives and where the manufacturers have to be extremely flexible and quick on their feet. They have plenty in common, too, in their chequered experience with acquisitions.

Just as several of GEC's takeovers were plagued with problems in their early years — notably A.B.Dick in the US, which is now successful — GE has suffered repeatedly from the inevitable difficulty of integrating any acquisition, and from a number of injudicious purchases. GE would argue that its record of selecting and managing acquisitions has greatly improved.

The emphasis now is on buying either large, free-standing and well-managed businesses or companies that can easily be grafted on to an existing GE activity; the purchase of Borg Warner's plastics business last year was example of the second category.

GE has fourteen major businesses and is clearly willing to add to that number. But a continuing priority for several of them is to extend their global reach. The company has been criticised for being too dependent on the US market. While it has been expanding in Europe — last year it announced a large investment in silicon and plastics in Spain — it has also been looking for major acquisitions or joint ventures.

One possibility might have been collaboration in domestic appliances with Philips of the Netherlands, but negotiations were not successful. Like many other US companies GE is preoccupied with the opportunities and threats posed by Europe's 1992 internal market programme, fearing that the major European electrical and electronics companies could gang up among themselves to keep outsiders out. The recent deal between GEC and Alsthom of France in power engineering must have reinforced these anxieties.

There are several areas of GEC which are of interest to GE, including medical electronics and domestic appliances, but it is probably power engineering which holds most appeal. GE is extremely strong in gas turbines (one of its manufacturing associates is Alsthom of France) and the trend towards smaller power stations in the UK and elsewhere offers big opportunities for GE. It is not surprising that Jack Welch is looking for a leading role in the GEC drama.

DEFENCE

A takeover could have greater impact than the bid for Plessey

By David White, Defence Correspondent

GEC's defence business is the epicentre of the political rumblings in Westminster about the proposed takeover. The group is far and away the main force in the UK defence electronics business.

In some sectors, especially torpedoes, it has long been an effective monopoly. In some it is also a world leader: for instance, the "head-up displays" which allow fighter pilots to read essential data while looking through the cockpit glass.

With the presence of foreign companies including France's state-controlled Thomson, the takeover proposals would potentially have greater impact in defence than GEC's own contested bid for Plessey. Siemens of West Germany, associated with GEC in the assault on Plessey, is by comparison a small player in the military sector.

GEC-Marconi, in which the group's defence interests were brought together two years ago, represents about a third of the total GEC group, with turnover of around £2bn a year and 45,000 jobs worldwide. About 80 per cent of this business is military, and between £800m and £900m a year with one client, the UK Ministry of Defence. This contrasts with Plessey, which also has about a third of its sales in defence but has reduced its dependence on the UK in the past few years and now does more than half of its £750m-a-year military electronics business in other markets.

With its powerful position, GEC has found it relatively difficult to adapt to the disappearance of Britain's old-style "cost-plus" contracts in which companies were paid for work done rather than performance, and has found itself in embarrassing situations in the transition — most notoriously with the Nimrod airborne early warning project, cancelled in 1986 at a cost to the taxpayer of almost £1bn.

The defence companies were regrouped in order to make a cohesive whole. The odd one out in the 13 companies which come under GEC-Marconi is Glasgow's Yarrow shipyard. But the disparity between this "metal-bashing" activity and high-technology systems is narrowing as warships such as the Royal Navy's Type 23 frigates, being built mostly at Yarrow, evolve into "intelligent" weapons platforms.

GEC could use the same argument that Plessey has used in opposing a threatened carve-up — that individual defence interests cannot easily be separated because they feed off the technology resources of the rest of the company — and

Most of the defence side might be kept in a core GEC business while other sectors were hived off

one of the scenarios is most of the defence side might be kept in a core GEC business while other sectors were hived off.

However, in the past six or seven years, niche specialities have evolved into small specialised businesses. Independent defence industry experts see these as neatly-parcelled packages which could indeed be hived off, while they undoubtedly feed off the GEC body, they could equally feed off another body.

On the other other hand, aspirations of potential predators have to be balanced against the MoD's determination to have competition wherever possible. The same arguments could be used against Plessey taking over parts of GEC as GEC taking over the whole of Plessey. A wide-ranging Thomson link, meanwhile, would raise alarm not only in Parliament but also, because of the two groups' size, among other UK and European contractors and could be expected to precipitate a rapid upheaval, forcing the formation of similar groupings.

Both Plessey and Thomson would have obvious interest in acquiring parts of GEC that either overlap with or are complementary to their own. In battlefield communications, the GEC interest could be a bone between them, since Thomson and Plessey have been fierce competitors in world markets.

The areas that most obviously fit in with Plessey's range of expertise are systems integration, radar and weapon guidance.

Thomson-CSF, which is to French aerospace what Marconi and Ferranti are together to British aerospace, might well covet GEC-Marconi's avionics. The French company has already launched plans to link up with Aerospatiale, which would create Europe's biggest avionics group, ahead of Marconi. The addition of Marconi's activities would produce overwhelming domination in Europe as well as a large slice of the US market, but could for that reason run into competition problems. A link-up in radar, where Thomson also has a broad capacity, would also create a dominant European group, competing with US companies such as Hughes and Westinghouse.

Plessey would also be able to build up a strong position in both these sectors. In radar, there is some duplication in land-based systems, although Plessey would be able to gain from GEC-Marconi's work on over-the-horizon radars.

TELECOMMUNICATIONS

GPT joint venture is the golden key to bids

By Hugo Dixon

THE GOLDEN key to unlocking both Metsun's proposed bid for GEC and GEC/Siemens' bid for Plessey is GPT, the telecommunications joint venture between GEC and Plessey.

GPT was set up last year in such a way that it would be impossible for anybody to bid for GEC without Plessey's agreement or vice versa. And it is impossible for either to sell its 50 per cent share without the agreement of the other.

The possible link-up between STC and GEC Plessey Telecommunications raises two main questions. Does it make industrial sense? And would STC be able to afford the price?

The industrial questions are pressing because it has become increasingly clear in GPT's few months of existence that the company needs a strong partner.

The formation of GPT was seen by its managers, the Office of Telecommunications and British Telecom as only a first step. Further restructuring would be needed if GPT was to secure its long-term future.

It is seen as being too small to finance research and development into the next generation of telecommunications products. A satisfactory partner would allow the costs to be spread, it is argued.

An ideal partner would also give it access to international markets. Although GPT dominates the UK telecommunications market and has a reasonable presence in North America, it has so far made little impact elsewhere.

On these criteria, it is difficult to see what STC can offer. The UK's second largest electronics group pulled out of public switching, the area where there is arguably the greatest need for R&D collaboration, in the early 1980s and is no longer involved in private switching either.

Since then, it has built up an alternative telecommunications strategy, which does not rely on making its own switches. This has three prongs covering strong underwater fibre-optic cables and transmission businesses, and a growing involvement in a new area called intelligent networks.

The only area where it would seem there was a direct opportunity for pooling R&D is in transmission systems, where GPT is also strong. However, this could create monopoly problems, since the two companies would together dominate the UK market.

Set against this is the fact that Northern Telecom, the large Canadian telecommunications manufacturer, owns 28 per cent of STC. It could presumably work together with GPT on developing the next generation of switching products in much the same way that Siemens is proposing to do if its bid with GEC for Plessey is successful.

Analysts, however, argue that Northern Telecom would be unlikely to help GPT get a better international spread of its business.

Collaboration could be particularly awkward in the North American market, where Northern is the second largest supplier after AT&T of the US, because the Canadian company would be unlikely to open its distribution channels to STC, says Mr James Dodd of Citicorp Scrimgeour Vickers. And outside North America, Northern has much less of a presence than Siemens.

The second main question about a link-up between STC and GPT is whether STC could afford it. Both Lord Keith and Mr Arthur Walsh, respectively the company's chairman and chief executive, have drawn attention to this factor.

Mr Dodd estimates that GPT would cost £1.6bn, of which £1.2bn would be goodwill. STC has shareholders' funds of £650m and net cash of £50m-100m.

To complete an acquisition with such figures, STC would not simply be able to rely on borrowing, says Mr Dodd. One possibility would be a rights issue; another would be to sell part of GPT, possibly to Northern or Fujitsu, Japanese electronics company, with which STC has a close relationship.

Mr Walsh, however, was making clear yesterday that he was not keen on making disposals, unless those made industrial sense.

POWER ENGINEERING

Partnerships offer shelter as major new groupings emerge

By Nick Garnett

IN ELECTRICITY generation and distribution equipment, two things are obvious. The first is that GEC needs at least one and possibly more partners if it is to survive successfully as a manufacturer through the 1990s.

The second is that GE would be better placed to defend its position in this tough and heavily cyclical industry if it also had more joint ventures or more bulk in markets, like Europe, where it is not as strong as it would like to be.

Pressure for a link-up would be just as great — possibly greater — if GEC's heavy engineering business was separated out as a UK stand-alone business in a partial carve up of the British group.

GEC thought it had a partner when it signed a deal just before Christmas to merge its heavy engineering business with Compagnie Générale's Alsthom. Power station equipment was a principal element of this proposed merger which would create a new company, affiliated to GEC, with sales of £4bn and 85,000 employees.

Now it looks as if General Electric of the US, which has much larger power equipment sales than GEC, might be interested in absorbing part or all of GEC's power equipment business either by takeover or through a joint venture. Where this would leave the proposed deal with Alsthom is unclear.

The question is: what makes sense for GEC, GE and Alsthom?

The pressure in this industry to seek shelter through partnerships is increasingly heavy. Development costs are rocketing, there is 70 per cent world overcapacity, the European market might open up slowly after 1992 and costs of power stations could eventually fall by 30 per or more.

The whole structure of company ownership, once very fragmented, is being ripped apart. Major new groupings are emerging in Europe and the world might be dominated by no more than six or seven suppliers within a few years.

These will include Toshiba and Mitsubishi in Japan and GE in the US. In Europe it will include Asea Brown Boveri(ABB), the Swiss-Swedish company which only this week virtually absorbed Ansaldo in Italy to go with its acquisition of the other Italian power equipment company, Franco Tosi.

ABB's proposed two joint ventures with Westinghouse in the US have run into trouble with the Justice Department but will almost certainly go through in modified form. ABB also has a joint venture in nuclear power with Kraftwerk Union, Siemens' power division.

Another grouping will be based around Siemens, which is negotiating a merger in transformers and switchgear with fellow-German company AEG.

The deal between GEC and Alsthom formed a substantial counterweight to all of this and made a lot of sense — though with some drawbacks.

GEC has no boiler-making capability, but Alsthom has through its Stein subsidiary. GEC makes gas turbines up to 60Mw, whereas Alsthom goes from 60Mw to its new Frame 9 200Mw model.

It looks as if GE of the US might be interested in absorbing part or all of GEC's power equipment business

The Alsthom gas turbines are suitable for so-called co-generation or combined-cycle power stations, which will be a growing feature of power generation, and which GEC's product range is poorly equipped to serve. Alsthom is not in low voltage switchgear, whereas GEC is.

The two companies also tend to operate in different geographic markets. Alsthom is active in French territories and the Middle East, GEC is stronger in the Far East, South Africa and in the UK.

A possible long-term problem is that the proposed 50-50 joint venture company with Alsthom would be based in Paris, headed by Mr Jean Pierre Desgeorges. In other words, GEC is putting businesses adding up to a quarter of its annual sales of £5.9bn into a company based in France and run by a Frenchman. Some might ask how long GEC would be able to maintain its share of that operation. This deal would also involve hefty rationalisation.

A deal between GEC's power business and GE would raise different issues. GE is a very large power equipment supplier. Its products include many similar to those of GEC in steam turbines, transmission and distribution equipment, as well as project engineering. It also has a nuclear capability, though it has had to scale this back, concentrating on fuel systems and services.

Like other US suppliers it has suffered in its domestic market, where power equipment generation manufacturing capacity has been cut by half, but demand is still only 10 per cent of that of the early 1970s. The company has recently signed a joint venture deal on switchgear with an Asian partner.

GE is tremendously strong in gas turbines, sold in power packs for power stations, and is in a good position to satisfy new demand for co-generation.

More than a half of power station gas turbines in place are GE designed, though by no means all GE manufactured. GE has a range of manufacturing associates which build GE-designed equipment and for which GE supplies some main components.

These companies include John Brown in the UK, AEG, Hitachi in Japan, and companies in the Netherlands and Italy.

Interestingly, under a similar deal, Alsthom is doing a lot of development work on GE gas turbines.

There must be some anxiety on the part of GE, however, that it is being left out of these mega deals in power engineering, especially if the European scene gets carved up.

Moreover, ABB, already with massive research capability, looks as if it could eventually absorb, Westinghouse's steam turbine, generator and transmission equipment businesses right in GE's domestic market.

GE might look to GEC, therefore, as a way of gaining more direct access into Europe in addition to securing GEC's base of power stations it has built in markets GE is not particularly strong in and for lucrative follow-up work.

A deal involving GEC's power equipment operation and GE would still leave them without some key equipment, like boilers. But GE had abortive talks with Siemens on power generation last year. It is not inconceivable that a deal involving Siemens, GE and GEC's power operation might emerge.

Some in the UK industry suggest that if GEC does not fall within GE's grasp, the US company could turn its attention to Northern Engineering Industries or even Hawker Siddeley. The latter is in co-generation but does not make gas turbines.

MEDICAL EQUIPMENT

UK had the technology but not the cash

By David Fishlock, Science Editor

THE STRENGTHS and weaknesses of Britain's £1bn medical equipment industry were spelled out clearly in a Cabinet Office report in 1986.

The industry has been highly innovative, especially in "imaging" technology, the latest electronic aids to diagnosis. This is the most technically and financially demanding end of an industry which spans patient monitoring, automated bio-chemistry, surgical implants, anaesthetic and other high-technology products.

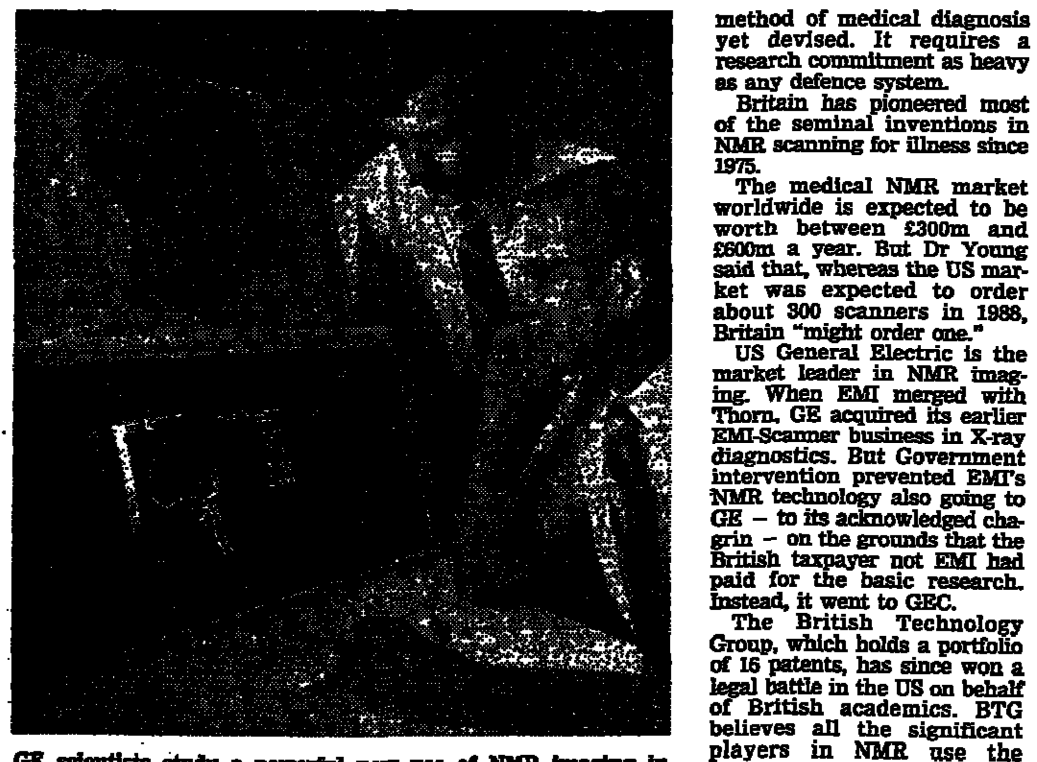
But in international terms the UK industry is modest, merely 5 per cent of a world market dominated by big US, Japanese, German and Dutch engineering companies. Unless the industry and its main customer, the National Health Service, took a more international approach and invested more heavily in research and development, it would be in trouble, the Government's technical advisers concluded.

"Unless something is done, we take a rather pessimistic view," said Professor Sir Rex Richards, the Oxford scientist and director of Oxford Instruments, who chaired the committee that wrote the report.

A few months later GEC attempted to merge its medical equipment interests with those of Philips in the Netherlands. For GEC it promised a way out of a problem it had wrestled with since its purchase of Picker, a big US medical equipment group with a traditional base in X-ray equipment, to create its GEC-Picker medical division.

Picker, managed from its US headquarters, had proved highly resistant to innovation from anywhere but its own laboratories. This was frustrating for the research team at Wembley, led by Dr Ian Young, which believed Britain had the ideas to make a big leap forward in the booming new market for medical imaging. He failed to win US support and was obliged to withdraw from a major Government-backed research project.

In the event the proposed GEC-Philips joint venture fell through when the parties failed to agree how much cash GEC should chip in, to balance the fact that Philips is bigger in sales of medical equipment.



GE scientists study a powerful new use of NMR imaging in measuring blood flow rates, at the group's corporate research and development centre in New York

Dr Young recently examined what he called Britain's sad failure to build an international business in nuclear magnetic resonance (NMR) imaging. NMR is the most revealing but also the most expensive method of medical diagnosis yet devised. It requires a research commitment as heavy as any defence system.

Britain has pioneered most of the seminal inventions in NMR scanning for illness since 1975.

The medical NMR market worldwide is expected to be worth between £300m and £600m a year. But Dr Young said that, whereas the US market was expected to order about 300 scanners in 1988, Britain "might order one."

US General Electric is the market leader in NMR imaging. When EMI merged with Thorn, GE acquired its earlier EMI-Scanner business in X-ray diagnostics. But Government intervention prevented EMI's NMR technology also going to GE — to its acknowledged chagrin — on the grounds that the British taxpayer not EMI had paid for the basic research. Instead, it went to GEC.

The British Technology Group, which holds a portfolio of 16 patents, has since won a legal battle in the US on behalf of British academics. BTG believes all the significant players in NMR use the patented British ideas. So far it has negotiated licence agreements with GE in the US, and Hitachi and Toshiba in Japan. It is still negotiating with Siemens and Philips, the other big players. GEC-Picker also has a licence but is no longer among the big players in NMR imaging.

By merging its medical equipment interests with those of GE, Britain may open a bigger international market for medical innovation, as the Government advisers urged, instead of just reaping royalties as a consolation prize.

DOMESTIC APPLIANCES

Hotpoint represents a tempting target

By Christopher Parkes, Consumer Industries Editor

THE HOTPOINT appliances business may not be the biggest plum in the GEC pudding, but it is surely one of the tastiest.

Boasting an estimated return on sales of 10 per cent, it is one of the most profitable white goods makers in Europe.

It is the clear market leader in Britain's home laundry and dishwasher markets, has some 40 per cent of the free-standing cooker trade, and runs a close second to Lec in refrigeration.

As such it represents a strong, high-profile, cash generator for any new owner which might emerge from a carve-up of its harassed parent.

But, in the increasingly international appliances business, Hotpoint can also be seen only as a strong niche player. Relegated to the status of an also-ran by its mere 5 per cent share of the total European market, it is likely to come under increasing pressure from global operations like Electrolux of Sweden and the alliance between Dutch group Philips and Whirlpool of the US.

Whirlpool's disillusion with the notion that it could remain secure inside "fortress America" while Electrolux made free in Europe and attacked the US through its purchase of White Consolidated, led to the link with Philips.

General Electric (GE) of the US, which also courted Philips, has seen itself demoted from first to third place in world rankings, and is now committed to going international.

Hotpoint's management has been talking for the past two years of the need for greater geographical spread, either through acquisition or joint ventures, but no action has emerged.

SHARE OF UK APPLIANCE MARKET	Washing machines %	Tumble dryers %	Dishwashers %
Hotpoint*	40	60	22
Hoover	20	13	8
Electrolux**	15	15	-
Ariston †	8	12	20
Philips	7	-	9
Zanussi	-	-	16
Bosch	-	-	6
Others	10	-	19

*Includes Creda and retailers own label. **Includes Zanussi and Bendix. †Includes Indesit
Source: 1987 trade estimates

Whether a national consumer products company makes a proper "fit" with the international power generation and medical equipment businesses which Sir John Cuckney proposes to keep, is a question which has been asked many times about GEC in its present form.

In GE's case, however, there has never been any question that appliances is a core business. And if Hotpoint were not isolated in the British market, there would be no question that GE would be as interested in the appliances side as it is in the generation and medical businesses.

Even so, Hotpoint is still a tempting target for the US group. Although Britain falls outside Europe's prime market area of West Germany and Benelux, where appliances sell for twice the price of white goods in Italy, the GEC subsidiary could provide the US group with a firm stepping stone into Europe proper.

Hotpoint already has strong links with Bosch-Siemens of West Germany, home, also, to prestigious names like AEG and Miele which are so far unattached. Italian manufacturers which depend heavily on exports, especially to the UK, might also be open to negotiation and offers.

It is probably only a matter of time before some links are formalised. The only open question is whether such alliances are forged by a Hotpoint controlled by wily Lord Weinstock, the ambitious Sir John Cuckney, or GE's single-minded Jack Welch.

Alternative plans for Cambrian

By Nikki Tait

Cambrian & General Securities said yesterday that alternative proposals for the company's future had been developed in conjunction with Mr Lance Lessman. The investment trust, which was once a vehicle for Mr Ivan Boesky, convicted US insider trader, is facing a $97.9m from US-based Leucadia National Corporation.

Mr Lessman, based in New York, worked for Mr Boesky at one stage, and his partnership has already built up a holding of about 5 per cent of Cambrian's ordinary shares and a little less than 1 per cent of of the capital shares.

Under the new scheme shareholders would be offered ordinary and capital shares in a new company which would acquire Cambrian's assets, plus short-term loan notes. The loan notes would probably have a 12-month life, but shareholders might be able to put them on the new company within four to six months.

The intention is to underwrite the two share classes, so that shareholders who so wished, could take cash. Mr Lessman has indicated that he would participate in the underwriting, subject to certain conditions, although other parties would be involved.

The scheme is intended to provide a cash exit, once the loan notes have been realised, higher than the present Leucadia offers. Shareholders, however, would have the option of retaining their shares in the substantially smaller ongoing investment vehicle.

It appears that a little more than 50 per cent of Cambrian's current assets, totalling about £83m, might be allocated to funding the loan notes, so that the ongoing vehicle would be about two-fifths the size of the existing trust.

Warburgs, Cambrian's advisers, intend to approach certain major Cambrian shareholders to establish whether they would be willing to support the scheme. Key interests are held by the Securities and Exchange Commission, with about 23 per cent of the voting rights and by Leucadia with a total voting interest of 31.23 per cent.

Yesterday, Cambrian also wrote to shareholders with new estimated net asset values as at end-December of 131.96p per ordinary share and 175.39p per capital share. This compares with Leucadia's offers of 108p and 120p respectively.

In the letter, Cambrian gives more information on recent Inland Revenue discussions, which have resulted in a proposal that Cambrian be treated as an investment trust during the Boesky period, provided Cambrian accepts that certain trading profits were subject to corporation tax.

The board considers the amount required by Inland Revenue to be excessive, but says that even if settlement were made on these terms the Leucadia offer represents a very deep discount to net asset values. It stressed that offers are not unwelcome, but that it was a question of price, and reaffirmed its opposition to the bid.

TVS lifted by higher share of advertising

By Fiona Thompson

TVS ENTERTAINMENT, the independent television contractor for the south and south-east of England, yesterday reported an 11 per cent rise in pre-tax profits to £26.1m for the year to October 31 1988, up from a restated £23.5m.

Net advertising revenue at TVS rose by 16.3 per cent from £143m to £166.2m, compared with an average increase for the network as a whole of 11.8 per cent. TVS's share of total network revenue has shown a consequent rise from 10.9 per cent to 11.3 per cent.

Mr James Gatward, chief executive, said that as a percentage of total turnover, advertising revenue had fallen from 83.2 per cent last year to 74.4 per cent in the year under review. "We want to continue this trend of increasing the contribution from diversified sources."

The two other components contributing to total turnover of £223.6m (£171.9m) were £44.4m (£20.8m) from the sale and distribution of programmes, and £12.9m (£8.1m) from the promotion of media trade fairs and related activities.

MTM Entertainment, the US independent production company acquired for £190.5m last August, did not make a significant contribution to these figures, being in for just $2\frac{1}{2}$ months. MTM, famous for making Hill Street Blues Lou Grant and St Elsewhere, was also hampered by the writers' strike in the US, said Mr Gatward.

Earnings per share dropped from 36p to 32.6p. The company had predicted a fall at the time of the MTM acquisition.

At a March conference on networking arrangements TVS will push for an abolition of all guaranteed programme hours. Although TVS is fourth largest of the ITV companies by advertising revenue, it is not one of the "Big Five" with guaranteed network sales. "Programmes should be there by merit, not just because of a commitment," said Mr Gatward.

A £5.7m extraordinary debit relates to the writing off of TVS's investment in Super Channel. The Exchequer levy was £12.4m (£11.5m). A final dividend of 9.25p makes a total of 13.25p (12.5p).

● **COMMENT**

These were the final figures from TVS as it was, everything from now on is a whole different ballgame. Gatward is being remarkable circumspect in terms of the individual contributions within the group (to avoid giving information to predators seeking his franchise he says) and analysts' forecasts for this first full year of TVS-with-MTM consequently include an element of guesswork. MTM's two new series, Tattinger's and Annie McGuire, have not exactly set the networks on fire, but St Elsewhere and Hill Street Blues were slow starters that became hugely successful. Taking dollar/sterling exchange rates into account, most analysts are plumping for about £48m, producing, on shares down 5p at 288p, a prospective p/e of about 8.5.

Tootal in talks over future of its S African textile holding

By Alice Rawsthorn

TOOTAL, the UK textiles group that has been clouded by bid speculation in recent weeks, is in discussions over the future of its investment in Da Gama, one of the largest textile companies in South Africa.

Mr Geoffrey Maddrell, chief executive, confirmed yesterday that Tootal has entered into negotiations over its 49.8 per cent shareholding in Da Gama. The negotiations were at "a very delicate stage", he said. Tootal will issue a statement on the issue later today.

Tootal first became involved with Da Gama in the late 1970s when it took over the management of the business and acquired a 50 per cent holding for about £350,000. Da Gama is involved in fabric production and finishing through production plants based mainly in the Ciskei homeland of South Africa.

When Tootal took over the management of Da Gama, the South African company was operating at a loss. Da Gama has since been steered back to profit. In 1986 it was floated on the Johannesburg Stock Exchange and Tootal's holding was reduced to 49.8 per cent.

Da Gama is now capitalised at about Rand 350m (£83m) in Johannesburg. Mr Maddrell said the discussions over Tootal's future involvement included the investment and management of the business.

Geoffrey Maddrell - negotiations at a very delicate stage

Tootal, which is one of the world's largest producers of sewing thread with interests in textiles and stationery distribution in the UK, has been restructuring its interests since Mr Maddrell joined three years ago.

Just before Christmas it emerged that Mr Abe Goldberg, the Australian industrialist who mounted an unsuccessful bid for Tootal in 1985, had spent about £28m on amassing a holding of over 9 per cent in the group.

Mr Goldberg, who owns the largest textile group in Australia, has not bought any more Tootal shares since the disclosure of his stake. He has, however, requested a meeting with Mr John Craven, Tootal's non-executive chairman, to discuss his future relationship with the UK group. Mr Goldberg has said that, after the meeting, he will decide whether or not to stage a second bid for Tootal.

Br Land in Friendly investment

By Andrew Hill

BRITISH LAND, the property group headed by Mr John Ritblat, is making a long-term investment in Friendly Hotels, the expanding operator of hotels and nursing homes, by subscribing for just over half of an issue of convertible preference shares which will raise about £11.6m for Friendly.

If all preference shareholders convert their holdings into ordinary shares at the first opportunity in June 1991, the property group will hold 10.4 per cent of Friendly's enlarged capital. British Land could appoint one non-executive director to the Friendly board before 1991, although it has no immediate intention to do so.

Friendly estimated that pretax profits for the year to December 25 1988, would be at least £3.1m, against £2.08m for the year to December 27 1987.

Earnings per share would be up at least 22.8 per cent to 16.7p (13.6p), said the directors, who intend to recommend a final dividend of 1.6p, making 2.7p (1.8p) for the year.

Friendly is issuing 12m 7 per cent convertible cumulative redeemable preference shares, at par value of £1 each, to fund recent acquisitions, to develop and improve some existing properties and to reduce group borrowings from 50 per cent to about 30 per cent of shareholders' funds.

About 7.91m of the preference shares will be offered to shareholders, on the basis of one new preference share for every two ordinary shares held, or one for every 5.4 of 4.75 per cent preference shares held, or one for every 3.06 of 5 per cent preference shares held. British Land will buy the balance and about 2.1m shares of the general issue, the entitlement of Mr Henry Edwards, Friendly's chairman and chief executive.

The new preference shares will be convertible between 1991 and 1999 on the basis of one ordinary share for 300p nominal of preference shares. Friendly's shares fell 3p to 156p yesterday.

BET takes up French option

BET, international diversified services group, has taken up its option to acquire 84.7 per cent of Savam, a leading French distribution company. The deal – announced in November last year – was subject to the approval of the French finance ministry, which has now been granted. BET will issue shares on the Paris Bourse which at FFr 202.7 for each share values the whole company at some FFr 355m (£33.2m).

Mowlem expands on Continent

John Mowlem, through its subsidiary SGB Investments, has expanded its European scaffolding and formwork interests. In France, Comabi SA has been acquired for FFr110m (£10m), while in Spain, Mowlem has raised its holding in Construcciones Desmontables Tubulares SA (Mecanotubo) from 30 per cent to just over 50 per cent at a cost of £350,000.

Howden up 49% at £5.4m

By Vanessa Houlder

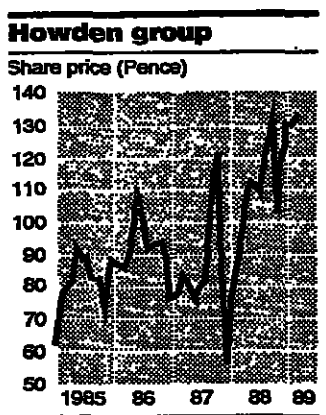
HOWDEN GROUP, Glasgow-based engineering company, yesterday announced a 49 per cent rise in pre-tax profits from £3.6m to £5.4m for the six months to October 31. Turnover increased by 47 per cent to £95.63m, against £65.14m.

Earnings per share increased from 3.1p to 4.2p. An interim dividend of 1.42p (1.28p) was declared.

Mr Johnny Johnsen, chairman, said that he expected turnover and margins to continue to improve in the second half of the year. The advance in profits and earnings would continue for the balance of the year, he said.

Its £9.1m acquisition of Wirth, West German boring machine manufacturer last November had already earned a quick return through a £41m contract to provide four tunnelling machines for the Great Belt project to complete the link between the West and East of Denmark.

Mr Johnsen said that the company was planning further acquisitions of specialist mechanical engineering businesses. Gearing at the year end is expected to be a little more than 20 per cent.



Howden's chief interest is the supply of fans and heaters to power stations, which accounts for a third of sales. A fifth of sales are made from fans and pumps for defence-related activities. Tunnelling equipment, in which Howden is the largest European and North American manufacturer, accounts for 15 per cent of sales.

● **COMMENT**

Time was when Howden was a byword for slow, steady and unadventurous growth. That era ended with its disasterous brush with a Californian wind park in 1987, and now appears to have been replaced by a bolder approach which looks as though it will be rewarded handsomely. Its recent emergence as a leading tunnelling machine maker, for example, has served it well for the Channel Tunnel and Danish Great Belt contracts. Other deals - such as the purchase of its rival Davidson - should secure benefits of scale and an improvement in margins. On the downside, Howden is experiencing a hiccup in orders from the electricity industry, which may not end until the uncertainties of privatisation are resolved. That said, the order book is generally strong and brokers expect it to make £16.5m for the full year. That puts the shares, unchanged at 134p, on a prospective p/e ratio of 11. That is a high rating for the sector, reflecting a degree of speculation surrounding Weir's 8.75 per cent stake.

Stead & Simpson tops £6m

By Nikki Tait

STEAD & SIMPSON, the footwear retailer and motor trader which last summer saw off a £108m bid from property group Clayform, yesterday reported pre-tax profits up from £4.85m to £6.07m in the six months to end-September.

Yesterday, Mr Peter Gee, managing director designate, said that the company was "happy that it was on course to meet the profit forecast" made during the bid.

At the time of the bid Stead forecast not less than £10.7m before tax for the 12 months, including property profits of some £3.1m.

When the bid lapsed, Clayform retained 41 per cent of Stead's voting shares, plus a much smaller interest in the larger non-voting class. Yesterday, it confirmed that it had unsuccessfully sought board representation, but added that – despite some approaches for its stake – it was not a seller at the moment.

Mr Gee claimed that the Stead board was now in favour of enfranchising the non-voting shares, but that this would need approval from 75 per cent of the voting shares and that Clayform did not appear supportive.

Any enfranchisement would be likely to dilute Clayform's stake – although the extent of the dilution would depend on the ratio used. Clayform is understood to have objected to the initial Stead proposal, which might have brought its holding down to around 18 per cent of the enlarged voting rights. Yesterday, Clayform said that its initial reaction was that this amounted to "moving the goal-posts halfway through the game."

Stead's first half figures benefited to the tune of £2.55m (£2m) from property profits.

Christmas trading had held up fairly well, according to Mr Gee, although he conceded that a burst of colder wet weather would be helpful.

Earnings per share were 8.37p (6.67p) and the interim dividend is raised to 1.7p (1.4p).

The cost of defending against the Clayform bid was put at £935,000 before tax and will be taken as an extraordinary item in the full year figures.

Wheway recovery continues

By Richard Tomkins, Midlands Correspondent

WHEWAY, Birmingham-based industrial group, has taken another leap forward in its recovery from the heavy losses of 1984 with a strong advance in pre-tax profits from £2.37m to £5.36m for the year to October 1 1988.

Earnings were also up sharply from a restated 5.46p a share to 8.45p, while turnover rose from £57.88m to £77.85m. A final dividend of 1.7p (1.25p) is proposed, making 2.2p (1.625p) for the year.

New management has extensively reorganised Wheway over the last four years, buying and selling subsidiaries with the aim of building up a diversified group with a broad range of niche products in quality markets.

During the year under review the group was reorganised into three new divisions. Consultant engineering and maintenance increased operating profits from £500,000 to £2.6m; the contribution from industrial products increased from £1.1m to £1.9m; and in building services products from £1.5m to £1.7m.

Mr Ted Jeynes, chairman, estimated that about £1.75m of the overall increase in operating profits resulted from acquisitions. The two biggest purchases, Cudd Bentley, consultant engineer, and Interfilta, maker of industrial and commercial air filters, had performed particularly well.

But Mr Jeynes said he was also pleased with the pace of organic growth. Strong performances had come from nearly all companies within the group, and although further rationalisation was likely in industrial products, he expected the trend to continue.

"Profits during the first quarter of the current year are well ahead of the corresponding period in 1987, and with order backlogs at record levels, we are optimistic for the future," he said.

Worldwide Dryers loss hits Leisuretime

By Clare Pearson

Leisuretime International, hotels, nursing home and travel company, where the Jivraj family took control a year ago, yesterday reported a pre-tax loss of £220,000 in the year to end-October, almost all of which was attributable to Worldwide Dryers, hand-dryer concern sold early in 1988.

Since taking over, the Jivrajs have injected Country Care Homes, their nursing homes company, bought the Ramada Resort hotel in Florida and arranged a £16.5m five-for-four right issue. They plan to inject two Florida hotels owned by Naaz, their private company.

In November, Leisuretime announced the acquisition of another Florida hotel, the Howard Johnson, for £4.4m. But the sale, over which the vendor has right of first refusal, has not yet gone through.

At the operating level, the loss was £16,000 (£1.22m). The tax position was transformed from an £894,000 debit to an £824,000 credit. There was a £4.29m extraordinary credit for the sale of Worldwide Dryers.

Peel buys more London Shop as rival ponders possible bid

By Paul Cheeseright, Property Correspondent

Peel Holdings yesterday nudged its stake in London Shop up to 35.6 per cent as London and Property Trust, controlled by Mr Barish Berger, pondered whether to make a rival bid.

On the market, Peel bought a further 1m shares at 340p, the price at which, on Monday, it made its third offer for London Shop, valuing it at £308m.

The foray into the market was the second in two days and came as London and Property was weighing the prospects of a competitive offer, realising that if it is to act it will have to act quickly.

London and Property, which had bought London Shop shares on the market on Monday, was not active yesterday and its stake remains at a little more than 2 per cent. London Shop shares closed yesterday $2\frac{1}{2}$p lower at $340\frac{1}{2}$p, while Peel's shares gained 6p to 296p.

Splash pays £5m for major competitor

By Andrew Hill

Garfield, the cartoon-strip cat, and Roger Rabbit, the cartoon hero of the feature film Who Framed Roger Rabbit, will join Wicked Willy and other fictional characters on Splash Products T-shirts following a £5m deal yesterday, which Splash believes could double its turnover in printed garments.

Splash, T-shirt printer and character merchandiser, quoted on the Unlisted Securities Market, bought Mobile from Prestwich Holdings, consumer electronics, leisure and entertainment group.

Mobile, one of Splash's largest competitors, prints rock and pop T-shirts, but also owns a portfolio of licences to transfer certain cartoon characters onto clothing and accessories.

Initially, Splash is issuing 833,333 shares and paying £435,102 cash for Mobile, and will also take on £3m of debt.

Further payments up to £1.05m will be payable in five instalments up to September 30 1990.

WPP in US expansion

WPP Group, marketing services and advertising group, is expanding its recruitment advertising activities in the US with the purchase of New York-based Donahue and Associates Advertising for a maximum $6m (£3.38m).

With billings of $20m last year, Donahue has clients ranging from Contel and ITT to Johnson & Johnson. Following the deal, Donahue will be integrated into Thompson Recruitment Advertising, one of the largest networks of its kind in the US which considered itself under-represented.

The acquisition follows the $59m purchase of HLS Corporation last month. The initial consideration is $1.4m to be followed by performance-related payments over five years to a maximum total of $6m.

All-round growth at Colefax

By Alice Rawsthorn

COLEFAX & FOWLER, interior design group, which has decorated the walls of Buckingham Palace and the Bank of England, increased pre-tax profits by 44 per cent from £498,000 to £717,000 in its first half to end-October.

Mr David Green, chief executive, said every area of activity had fared well in the first half and business had been buoyant so far in the second half.

Colefax had record Christmas sales, he said, and so far there was no sign of slowdown in spending among its UK customers.

Sales rose to £6.29m (£4.77m). Earnings per share increased to 4.03p (3.16p) and a maiden interim dividend of 1.1p is declared.

The company went public in June last year and has since expanded its US interests by buying Cowtan & Tout, New York furnishings firm. Colefax shares yesterday rose by 2p to 135p, 10p above the flotation price.

The Cowtan acquisition was concluded in November and did not contribute in the first half. Colefax gleaned 30 per cent of its turnover outside the UK in the interim period, mainly from the US.

It has already extended Cowtan's showroom in New York to show some of its Colefax collections. Cowtan will take over the distribution of all Colefax products in the US by 1991.

Colefax now plans to concentrate on the development of its activities in Europe. It intends to sell directly to all the major continental markets by 1992. At present it sells through a network of agents and distributors.

Mr Green also intends to expand Colefax's chain of three London shops by opening "one or two" new shops, in the south of England.

Care services provide spark as Kunick hits £5m

By Clare Pearson

KUNICK, the care for the elderly and entertainment group quoted on the USM, announced a 49 per cent increase to £5.1m in pre-tax profits in the year to end-September. Earnings per share rose 40 per cent to 2.53p.

Mr Russell Smith, chairman, who created the group in its present form early in 1987 when he reversed three of his private businesses into it, said the results had been outstanding.

Most profits growth was achieved at Goldsborough, the elderly people's homes and care business. Rapid expansion meant increased operating profits of £997,000 (£227,000). Mr Smith said when current development programmes are completed in 1990, turnover will have increased seven-fold compared with June 1987.

The UK amusement machine side pushed operating profits up 41 per cent to £2.85m in static market conditions. The increase was largely thanks to Music Master, the compact disc jukebox. There are now 2,000 Music Master machines sited, and a further 2,000 are planned. Fruit machines, on the other hand, were subject to a margin squeeze.

Amiro, the French amusement machine importer and distributor, increased operating profits by 28 per cent to £962,000 in sluggish market conditions during the French elections.

Visitor attractions, which comprise the London and York Dungeons, pushed operating profits 82 per cent higher to £1.01m. New management was installed at the London Dungeon in February after security and management control problems were discovered.

Turnover was £40.76m (£28.6m). The recommended final dividend is 1p making 1.4p for the year, a 40 per cent increase.

● **COMMENT**

Enthusiasm about Kunick, whose strategy is to use the cash thrown up by its amusement side to fund development in the fast-growing elderly people's care market, abounds. The outlook for the current year is highly encouraging from almost every point-of-view: in the care services division the newly-added Kensington nursing home, where margins are better, will begin to contribute; on the amusement side, there will be a much bigger contribution from the profitable Music Master machines, and visitor attractions will reap the benefits of a full year under current management. Top-end expectations are for £8m pre-tax, leaving the shares on a p/e of under 10 – widely seen as cheap.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Abbey Panels Inv	fin	1.8		1.2	3	2.4
Alexanders Hldgs	fin	1	Mar 24	0.73	1	0.73
Cantors	int	1	Apr 13	0.75	-	2.25
Coated Elect §	int	nil		1.4	-	1.4
Colefax & Fowler	int	1.1	Apr 1	-	-	-
Countryside Prop	fin	2.15	Apr 6	1.28	3.15	1.91
Howden Group	int	1.42†	Mar 1	1.28	-	3.85
Jurys Hotel	int	1.6◆		1.5	-	4
Kunick §	fin	1	Mar 7	0.65	1.4	1
Stead & Simpson	int	1.7	Feb 24	1.4	-	4.8
TVS Entertainment†	fin	9.25	Apr 6	9	13.25	12.5
Westpool Inv Tst	int	0.35	Mar 4	0.33	-	1.6
Wheway	fin	1.7†	Apr 3	1.25	2.2	1.625
Wyko Group §	int	1.25	Apr 7	1.1	-	2.75

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ◆Third market. ◆Irish pence throughout.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims: Backs (Sidney C), Barbour Index, Beapak, Hambro Euroland & Money Market Investment Co, Markheath Securities, Scot. Shop, Zetters Group.

Finals: Associated Newspapers, Body Shop Int., Carron Phoenix, Economic Forestry, French (Thomas), Horne (Robert), M & G Dual Trust, Southern Business, TSB.

FUTURE DATES

[illegible]

CORRECTION

Yeoman Inv Trust

Yeoman International Group, a private Irish company, is the group bidding for CLF Holdings, not Yeoman Investment Trust as the FT incorrectly reported yesterday. Accordingly, shares in Yeoman Investment Trust are not suspended from dealings as was suggested by the report. Yeoman's offer is unconditional as to acceptances, but is still awaiting regulatory approval before it is declared wholly unconditional.

Countryside makes move against housing slowdown

By Andrew Taylor, Construction Correspondent

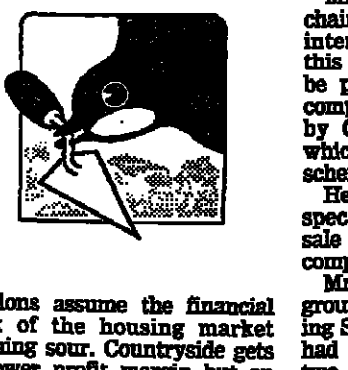
COUNTRYSIDE PROPERTIES, Essex-based housebuilder and commercial property developer, is to change the mix of its housebuilding activities as a defensive measure against the slowdown in the housing market in south-east England.

The group, which yesterday announced a 73 per cent increase in pre-tax profits to £19.35m in the year to September 30, sells only in the south east. It lacks the geographical spread of larger housebuilders which have the ability to switch production to other regions where house sales and prices are continuing to rise.

Instead, Countryside intends to increase its output of houses built in partnership with building societies and housing associations, reducing slightly the number of homes it builds itself for home ownership.

Building societies taking part in partnership schemes with the group usually buy the land from Countryside which then builds the houses and sells them on behalf of the society for a fee. Housing associations, on the other hand, simply contract Countryside to build homes on land provided by the association.

The advantage of these arrangements is that the building societies and housing associations assume the financial risk of the housing market turning sour. Countryside gets a lower profit margin but an enhanced return on capital employed.



Mr Alan Cherry, Countryside chairman, said that the group intended to build 750 homes this year of which half would be partnership schemes. This compares with 525 homes built by Countryside last year of which only 80 were partnership schemes.

He expected the number of speculative homes built for sale would decline to about 375 compared with 400 last year.

Mr Cherry said sales of the group's houses had fallen during September and October but had picked up during the last two months of the year. Sales during the first week of January had been well ahead of the corresponding week in 1988 but this could reflect the mild weather encouraging buyers.

Group turnover rose by 77 per cent to £95.56m. Turnover from completed house sales increased by 75 per cent to £76.8m while gross profits from housing rose from £12.5m to £21m.

Sales of commercial property more-than-doubled to £18m lifting gross profits by 85 per cent to £2.4m. Profits from rental income added another £420,000.

Earnings per share rose from 21.6p to 35.5p. The proposed final dividend of 2.15p makes 3.15p (1.91p) for the year.

COMMODITIES AND AGRICULTURE

UK egg rescue to cost far less than expected

By Bridget Bloom, Agriculture Correspondent

THE BRITISH Government's scheme to stabilise the egg market in the wake of last year's salmonella scare is set to cost markedly less than the £19m earmarked for it.

Mr John MacGregor, the Minister of Agriculture, said yesterday that expenditure so far on the two-pronged scheme amounted to under £4.5m. This comprised some £3.2m on buying-in nearly 108m surplus eggs and just over £1m on culling 786,000 hens.

The overall cost is expected to rise further, as the egg buying scheme has two weeks to run, though no more applications for hen culling will now be accepted. However, the cost seems certain be less than a third of the £19m maximum.

Mr MacGregor said yesterday that the scheme, which was introduced just before Christmas, had been designed as a bold gesture to restore confidence to the market. He was delighted that it had achieved its purpose at a considerably reduced cost.

The minister attributed the low uptake to the fact that the prices offered for eggs – 30p a dozen to packers – had been sufficient to retore confidence quickly. This had also been helped by the government advertisement assuring people of the basic safety of eggs.

BRITAIN'S all-party parliamentary select committee on agriculture opens an enquiry today on the egg crisis with evidence from the Ministry of Agriculture and the Department of Health submitted in a joint memorandum.

Mr MacGregor noted that producers had also found export markets for surplus eggs, estimated in the week before Christmas at between 300m and 400m. Mr MacGregor denied that the low uptake suggested that the Government had panicked in producing the scheme in the first place.

The scheme was announced in the wake of falling egg prices which followed a remark by Mrs Edwina Currie, then a junior minister, than most British egg production was affected by salmonella enteritidis. The scheme guaranteed to buy in and then destroy up to 400m eggs at 30p a dozen and to provide for the culling of 4m hens between 18 and 30 weeks at £1.50 a bird.

Mr Keith Pullman, secretary of the UK Egg Producers' Association, said yesterday that he thought the egg purchasing scheme had proved a life saver for many businesses. However, the up-take on hen-culling had been small since young birds of 18-30 weeks represented an egg producer's "seed corn." Producers themselves had culled both chicks and older birds but it was too early to tell whether this might lead to future shortages, as has been suggested.

Sales of eggs through supermarkets and other retail outlets were now about 80 per cent of normal, according to Mr Pullman. However, the industry believes it will take some time before institutions such as hospitals and schools begin to resume normal purchasing.

Bismuth cashes in on its clean image

Kenneth Gooding on the bright outlook for one of the few non-toxic heavy metals

THE FREE market price of bismuth, one of the few heavy metals which is non-toxic, very safe to handle and which consequently has benefitted from the world's ever-tightening environmental regulations, has started 1989 at the highest level for 12 years.

The price was about $4.50 a lb at this time last year and ended 1988 at $6.50. But, unlike the prices of some other minor metals, that was after a steady climb and bismuth showed little of the volatility exhibited by, for example, cadmium.

MCP-Peko, the UK-based metals, minerals and alloys group which accounts for about one third of the western world's bismuth market, suggests that demand for the metal, already at record levels, will climb another 10 per cent this year. Supply is expected to continue to lag behind so the price should edge up gradually during 1989, it suggests.

There are many more uses for bismuth than in the early 1970s, when the pharmaceutical market represented about half total world demand. MCP-Peko reckons that in 1987 no single use – and there are nine main applications – accounted for more than 15 per cent of the total.

The major applications, apart from pharmaceuticals, are electronics, industrial catalysts, cosmetics (lipstick and eye gloss), industrial pigments, free machining steel and aluminium, fusible alloys and in producing maleable iron.

Bismuth's recent history is similar to that of many other metals. After some years of recession, high stocks and low prices, there was record demand in 1986, and further jumps 20 per cent following year and 10 per cent in 1988.

Supply has not kept pace and stocks have fallen to relatively low levels.

On the demand side Japan played an important role in the recent change in bismuth's fortunes. In the past Japan produced annually about 240 tonnes more bismuth than it consumed and exported the surplus. In 1987 for the first time it imported bismuth and exported only 100 tonnes.

MCP-Peko estimates that last year Japan imported 250 to 300 tonnes and exported a maximum of 70 tonnes and has thus become a major net importer.

Japan continued to rely on traders rather than producers for its bismuth and it has therefore had a big influence on the free market price. It has also been mopping up supplies from South Korea and China much of which otherwise might have reached Europe.

Among the main suppliers, Peru probably has had the most influence on the current state of the market. Strikes and other problems have cut Peru's output from about 700 tonnes a year to just over 400 tonnes for the past three years. The country managed to deliver 1,000 tonnes in 1987, however, by running down its stocks to almost nothing.

This shortfall in output from Peru, of about 1,000 tonnes in the past three years, made a big dent on total annual world-wide bismuth supplies of between 4,500 and 5,000 tonnes.

"We could sell 10,000 tonnes a year if the metal was available," MCP-Peko says confidently. "But the metal simply is not there."

Production cannot easily be increased because currently all bismuth is derived as a byproduct from various base metal ores, including copper, lead and tin. Apart from Peru and Japan, Australia and Canada are major suppliers while Mexico, probably the world's biggest supplier, has benefitted from Peru's misfortunes and increased output, mainly for North American customers.

Bolivia is probably the only country which is capable of mining bismuth as primary metal, but only when the price is above $6 a lb and likely to stay there for some years.

MCP-Peko believes that this stage has been reached and that Bolivia will bring some primary bismuth capacity into production shortly. It suggests that the country is likely to produce about 100 tonnes this year and 200 tonnes in 1990.

The market will be more than able to absorb this new metal, the company says. "The non-toxicity of bismuth will ensure that world demand continues to grow at a vigorous rate as the metal makes inroads in the traditional markets of lead and cadmium."

WEEKLY METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,950-2,025 (1,925-2,025).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.65-6.80 (same).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots and sticks 8.30-8.50 (8.20-8.40).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.65-7.85 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 275-290 (285-300).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.50-3.53 (same).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.50-9.10 (8.70-9.20).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 56-64 (same).

VANADIUM: European free market, min. 98 per cent, VO, cif, 8.30-9.00 (7.20-8.30).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

EC unease about cocoa deal

By David Blackwell

EUROPEAN Community countries will tomorrow press the French for more information on the deal under which Sucres et Denrees, the French trade house, has bought 400,000 tonnes of cocoa from the Ivory Coast, the world's biggest producer.

Commodity experts from all 12 EC states meet tomorrow in Brussels for talks in the run-up to the International Cocoa Organisation (ICCO) half-yearly council, which starts on Thursday next week. The EC is a signatory to the International Cocoa Agreement.

The French Government has consistently denied involvement in the deal, asserting that a FFr 400m (£36m)official loan concluded on December 23 has nothing to do with it.

Although Sucres et Denrees (Sucden) said last Wednesday that the deal would be financed by the group and its banks, many people in the cocoa world remain doubtful that such an expensive operation would be organised without some sort of guarantee.

Sucden and the Ivory Coast have not given any figures on the price of the cocoa, 200,000 tonnes of which is to go into storage in Europe for two years. But analysts put the cost of buying and storing that amount for two years at £250m.

"If someone has stumped up this amount of money they are either convinced that they can sell at a profit, or they have a money back guarantee," according to a leading European delegate to the ICCO.

President Felix Houphouet-Boigny of the Ivory Coast is hoping that the deal with Sucden will boost market prices so that the country can pay the Caisse de Stabilisation's debts to exporters. The Caisse, or commodities marketing board, has run up large debts supporting producer prices, which the president has refused to cut from FFr 1,200 per 100 kg.

But London analysts see the deal, which was widely rumoured for months, as bearish. Yesterday the London May contract shed £24 to close at £835 a tonne – £54 lower than this time last week.

Meanwhile, consumer delegates to the ICCO feel that the Ivory Coast has abandoned the cocoa agreement. The country owes more than $50m in levy arrears on its exports out of total arrears of $75m, leaving importing countries little incentive to continue paying their share of the levies.

They feel that the agreement is dead, and that further wrangling next week over measures to defend prices would be futile.

"Let's cut the Gordian knot by killing the economic clauses for the duration," said one delegate.

A fruitful year for the Big Apple's futures markets

Deborah Hargreaves looks back on the factors that boosted trading in 1988

WHILE THE Midwest drought threw a spotlight on Chicago's grain markets last year, wildly volatile commodity prices made for a busy and buoyant trading year on New York's four major futures exchanges.

Led by the mercurial crude oil market, New York futures prices fluctuated wildly as soft commodities were touched by the drought, and metals reacted to supply shortages.

Trading in crude oil futures continued its frenzied pace on the New York Mercantile Exchange (Nymex) as the Organisation of Petroleum Exporting Countries struggled, with little success, to impose some sort of production discipline.

While crude oil prices ended the year barely changed, huge price swings over the course of 1988 led to a 29 per cent rise in trading of Nymex's futures contract, which registered 18.9m trades. At the same time, trading volume in unleaded gasoline rose 60 per cent and heating oil futures trading was up 15 per cent.

Futures trading could calm down this year in a more stable oil market. Opec's resolve to exert more disciplined control on production and prices could – if it holds – dampen price activity and prevent a repeat of the $4-a-barrel swings experienced in 1988.

The rally in platinum futures – also traded on Nymex – boosted trading volume by 7 per cent to 1.5m lots, amid continued strong demand and potential supply tightness. But the platinum boom was cut short at the end of the year when the Ford Motor Company announced the development of a new autocatalyst that does not use the precious metal.

Other metals futures at the Commodity Exchange (Comex) experienced a lighter trading year, however, in spite of some dramatic price action.

Copper futures posted several leaps after plummeting at the beginning of the year, but trading volume dropped by nearly 30 per cent to 2.1m contracts as investors stayed wary of volatile prices. The copper market was pushed by an extreme supply squeeze, which saw stocks in Comex warehouses plunge to all-time lows.

In a bid to alleviate supply tightness, the exchange introduced a new high grade copper contract last year and tried to wean users from its standard grade contract. Although volume in high grade copper reached only 924 contracts for the year, users will have no choice but to switch to the new specification once the existing contract is de-listed this year.

Copper supply remains tight while demand is still strong, which could pave the way for further price rises this year.

Gold and silver futures showed small volume declines last year after a record 1987 as buyers and sellers balanced each other out in a dull market.

"We need a bull market for volume to pick up and that's just not on the cards at the moment," says Mr John Hanemann, the Comex chairman.

The Coffee, Sugar & Cocoa Exchange (CSCE) saw its overall trading take off last year with a 60 per cent increase in total exchange volume to 10m contracts. Uncertainty over production arrangements, adverse weather in growing areas, as well as the psychological effects of the US drought fuelled trading.

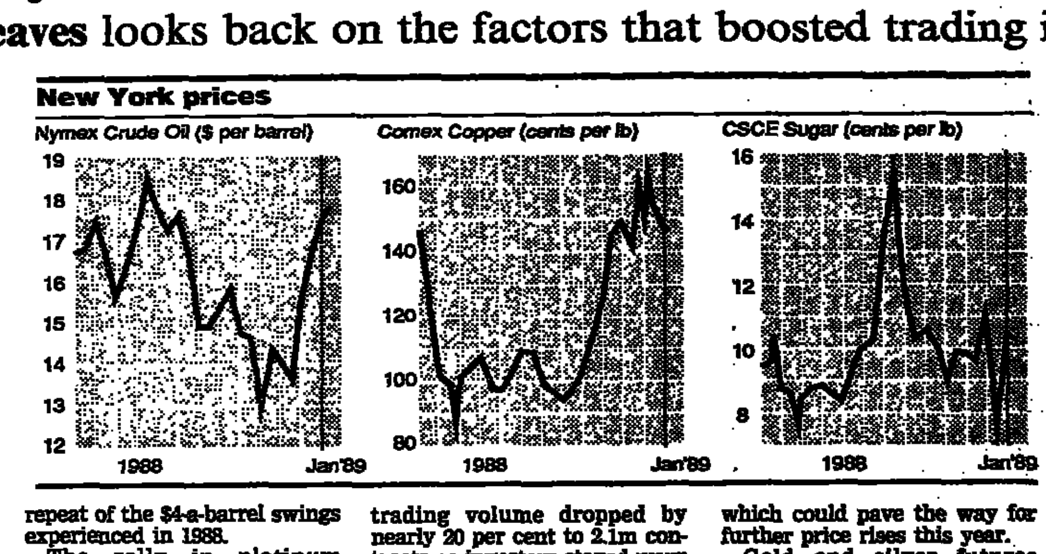
The exchange's sugar futures traded 5.8m contracts, a 51 per cent rise over 1987 and coffee futures trading was up 19 per cent at 1.1m lots.

Soft commodities' options trading at the CSCE had a bumper year with volume rising by several hundred per cent – albeit from low levels.

The sugar market is expected to retain its overall strength this year as world stocks remain low and demand continues to grow. Further action by the US Department of Agriculture to raise the US sugar import quota could also support world prices.

The weather could affect soft commodities prices again in 1989 as some growing areas continue to experience dryness. Dry weather in Brazil could push up coffee futures prices, and any continued dryness in US cotton areas could boost futures trading. New York Cotton Exchange futures traded 1.4m lots last year – little changed from 1987.

An important issue facing New York's exchanges in 1989 is the prospect of a link-up between the five markets sharing a common trading floor at the World Trade Center. Consolidation of some of the exchanges' back office operations could save millions



Finnish plant may halt zinc shipments

By Olli Virtanen in Helsinki

OUTOKUMPU, the Finnish metallurgical group, yesterday issued a *force majeure* warning that it may have to halt zinc deliveries because of the strike that has paralysed the zinc smelter at the Kokkola plant.

The strike of 450 workers began on January 5 and the plant is now at standstill. Lost zinc production amounts to 3,000 tonnes a week, worth $5m.

Outokumpu can handle all planned deliveries, at least during January, says Mr Lauri Peltola, sales director of the zinc plant, by selling the mills's current stocks or even by acquiring zinc from the world markets.

The Kokkola plant is one of the biggest zinc smelters in Europe with an annual capacity of 170,000 tonnes.

● The news helped to firm zinc prices on the London Metal Exchange, yesterday. The high grade cash price closed $16.50 up at $1,659 a tonne, while special high grade gained $32.50 to $1,677.50 a tonne.

WORLD COMMODITIES PRICES

LONDON MARKETS

COFFEE prices closed sharply lower yesterday for the second day running after fluctuating widely in afternoon trading, mirroring movements in New York. However, by the close the market was showing some signs of stability, with trade buying and some price fixing seen. Dealers said the current steep decline was primarily a technical correction. The volatile conditions prompted the International Commodities Clearing House to make a one-off extra margin call of £50 a tonne on outstanding long positions. *On the LME aluminium closed at the* lower end of the day's range after rising in the morning on news of potential losses in production at New Zealand's 250,000 tonnes a year Tiwai Point smelter because of strike action. A subseqent fall was stopped by news that IPAI non-Communist smelter stocks fell70,000 tonnes in November.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$13.50-3.60w	-0.15
Brent Blend	$16.10-6.15w	-.175
W.T.I. (1 pm est)	$17.50-7.55w	-0.25
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$170-172	
Gas Oil	$161-163	+0.5
Heavy Fuel Oil	$75-76	-1
Naphtha	$154-156	-6
Petroleum Argus Estimates		
Other		**+ or -**
Gold (per troy oz)♣	$404.75	+2.00
Silver (per troy oz)♣	597c	+4
Platinum (per troy oz)	$528.00	+18.7
Palladium (per troy oz)	$132.00	+0.25
Aluminium (free market)	$2415.0	-27.5
Copper (US Producer)	$153\frac{5}{8}$-157c	$-6\frac{1}{2}$
Lead (US Producer)	41c	
Nickel (free market)	760c	+30
Tin (European free market)	£4230	
Tin (Kuala Lumpur market)	20.00r	+0.03
Tin (New York)	344.08c	-0.42
Zinc (US Prime Western)	$74\frac{1}{8}$c	
Cattle (live weight)†	112.18p	-0.88*
Sheep (dead weight)†	153.31p	-6.38*
Pigs (live weight)†	72.67p	-2.89*
London daily sugar (raw)	$258.2u	-1.4
London daily sugar (white)	$283u	+1
Tate and Lyle export price	£264.5	-1
Barley (English feed)	£113	
Maize (US No. 3 yellow)	£131.5	-0.5
Wheat (US Dark Northern)	£126.30v	+1.05
Rubber (spot)♥	61.50p	+2.25
Rubber (Feb)♥	68.00p	+2.25
Rubber (Mar)♥	68.25p	+2.25
Rubber (KL RSS No 1 Feb)	299.5m	+6.0
Coconut oil (Philippines)§	$550x	
Palm Oil (Malaysian)§	$370	-5
Copra (Philippines)§	$360	-5
Soyabeans (US)	$194	-3
Cotton "A" index	63.90c	+0.05
Wooltops (64s Super)	655p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Dec. x-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Mar	827	849	853 825
May	835	859	863 835
Jul	845	867	872 845
Sep	849	872	875 849
Dec	866	888	893 865
Mar	877	900	904 877
May	890	914	

Turnover: 7368 (2812) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jan 9: 1093.26 (1095.96):10 day average for Jan 10: 1132.01 (1136.92) .

COFFEE £/tonne

	Close	Previous	High/Low
Jan	1195	1250	1209 1183
Mar	1167	1233	1195 1163
May	1142	1203	1170 1140
Jly	1147	1202	1165 1143
Sep	1148	1200	1164 1140
Nov	1150	1210	1164 1145
Jan	1155	1200	1164 1160

Turnover:6282 (3924) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jan 9: Comp. daily 130.27 (136.80); . 15 day average 132.69 (132.08).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Mar	228.00	232.60	235.00 228.00
May	229.00	233.00	236.00 229.00
Aug	224.00	227.60	229.00 223.60
Oct	219.60	223.80	225.60 219.80
Dec	215.60	224.00	217.00
Mar	218.60	220.00	
May	216.60	220.00	
White	**Close**	**Previous**	**High/Low**
Mar	271.00	276.00	276.50 271.00
May	268.00	271.50	273.00 268.00
Aug	265.00	271.00	272.00 265.00
Oct	261.50	265.50	
Dec	259.00	263.00	264.50 259.00
Mar	258.00	262.00	257.50
May	256.00	261.00	256.00

Turnover: Raw 2469 (4640) lots of 50 tonnes. White 2326 (877).
Paris- White (FFr per tonne): Mar 1714, May 1692, Aug 1697, Oct 1650, Dec 1630, Mar 1620

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Mar	May	Mar	May
2250	205	193	45	135
2350	142	147	81	186
2450	93	110	131	246
Copper (Grade A)	**Calls**		**Puts**	
2900	326	266	92	259
3100	211	186	175	375
3300	120	130	289	511

COTTON
Liverpool- Spot and shipment sales for the week ending January 6 came to 423 tonnes against 478 tonnes in the previous week. Orders moved fast with interest showing mainly in Israeli, Russian and American qualities.

JUTE
C and f Dundee BTC $475, BWC $465, BTD $425, BWD $435; c and f Antwerp BTC $455, BWC $445, BWD $400, BTD $410.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 26,650 tonne
Cash	2415-20	2400-10	2415	2415-20		
3 months	2360-5	2345-50	2400/2340	2365-70	2365-70	28,751 lots
Copper, Grade A (£ per tonne)						Ring turnover 58,325 tonne
Cash	1862-7	1875-80	1882/1860	1861-2		
3 months	1752-3	1749-50	1760/1730	1747-8	1760-2	66,258 lots
Silver (US cents/fine ounce)						Ring turnover 50,000 ozs
Cash	589-92	588-91		592-3		
3 months	602-5	601-4		605-5.5		450 lots
Lead (£ per tonne)						Ring turnover 10,073 tonne
Cash	384.5-5	383-4	384	383-4		
3 months	385-5.5	383-4	386.5/384	384-5	386-7	10,475 lots
Nickel ($ per tonne)						Ring turnover 4,484 tonne
Cash	16700-800	16500-600	17000/16600	16800-7000		
3 months	15600-50	15500-600	15700/15400	15450-500	15605-50	6,146 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,175 tonne
Cash	1675-80	1640-50	1680	1680-5		
3 months	1633-5	1615-25		1635-40	1630-40	2,549 lots
Zinc ($ per tonne)						Ring turnover 16,800 tonne
Cash	1658-60	1640-5	1675/1665	1668-70		
3 months	1603-8	1593-5	1612/1575	1605-10	1605-8	11,357 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	50.0	58.0	50.0 50.0
Apr	75.4	78.7	78.0 73.5
May	90.0	95.8	91.5 88.6
Nov	82.0	83.0	81.0
Feb	89.0	89.0	88.0

Turnover 815 (625) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Feb	173.00	175.00	172.00
Apr	175.00	177.00	177.00 174.00
Jun	170.00	171.50	168.00
Aug	162.00	163.00	160.00

Turnover 400 (655) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Jan	1635	1620	1642 1624
Feb	1674	1677	1697 1665
Apr	1706	1705	1710 1689
Jul	1498	1497	1505 1490
Oct	1595	1595	1595
Jan	1595	1595	1600 1595
BFI	1604	1589	

Turnover 930 (333)

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Jan	112.40	113.00	112.90 112.30
Mar	115.30	116.00	115.90 115.25
May	118.45	118.95	118.95 118.40
Jun	120.00	120.40	120.00
Sep	102.60	102.60	102.60
Nov	105.00	105.05	105.00
Barley	**Close**	**Previous**	**High/Low**
Jan	108.60	108.60	108.60
Mar	111.35	111.80	111.70 111.35
May	113.60	113.75	113.65 113.60
Sep	99.90	99.90	99.90
Nov	102.50		102.50

Turnover: Wheat 156 (512) . Barley 18 (15) .
Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	$404\frac{1}{2}$-405	229-$229\frac{1}{2}$
Opening	$404\frac{1}{2}$-405	$227\frac{1}{4}$-$228\frac{1}{4}$
Morning fix	406.5	229.096
Afternoon fix	404.5	228.815
Day's high	$406\frac{1}{2}$-407	
Day's low	$404\frac{1}{4}$-$404\frac{1}{4}$	

Coins	$ price	£ equivalent
Mapleleaf	416-421	$235\frac{1}{2}$-$238\frac{1}{2}$
Britannia	416-421	$235\frac{1}{2}$-$238\frac{1}{2}$
US Eagle	416-421	$235\frac{1}{2}$-$238\frac{1}{2}$
Angel	413-418	234-237
Krugerrand	403-406	228-230
New Sov.	95-96	$53\frac{3}{4}$-$54\frac{1}{2}$
Old Sov.	95-96	$53\frac{3}{4}$-$54\frac{1}{2}$
Noble Plat	537.7-546.65	302.65-307.8

Silver fix	p/fine oz	US cts equiv
Spot	337.60	596.00
3 months	348.40	609.70
6 months	359.05	623.70
12 months	380.40	654.00

CRUDE OIL $/barrel

	Close	Previous	High/Low
Feb	16.20	16.34	16.30 16.17
Mar	15.65	15.80	16.74 15.60
Apr	15.45	15.47	15.39
IPE Index	16.30	16.24	

Turnover: 3279 (4571)

GAS OIL $/tonne

	Close	Previous	High/Low
Jan	155.25	160.25	159.25 155.00
Feb	150.25	154.75	154.25 150.00
Mar	145.25	149.25	148.50 144.75
Apr	139.50	143.75	142.50 139.50
May	134.75	138.25	137.00 134.00
Jun	130.50	136.50	135.00 130.50
Jul	133.00	137.00	134.75 131.00

Turnover 9249 (9503) lots of 100 tonnes

US MARKETS

IN THE metals, gold prices continued to slip as a strong dollar kept pressure on the market. London based selling sank silver futures below the 6 dollar level in March. Platinum prices fell over 12 dollars on profit taking from Mondays late day rally. Copper futures edged higher in choppy local activity. In the softs, cocoa trading was hectic as prices fell 70 points in March. Continued technical selling pushed sugar prices down 17 in moderate volume. Coffee recovered from its recent decline as roustor buying was featured. Trading volume was heavy. The grains all had very quiet sessions with prices closing slightly lower in most of the markets. In the meats, cattle futures were up due mostly to higher wholesale carcass beef and higher boxed cutout value. Fridays pig crop report indicated an oversupply of hogs for the near term. Lower cash hogs and a negative cutout margin also added pressure despite a late short covering rally. The energy markets were locked in a narrow range. Revised Saudi Arabian oil estimates prompted some light trade and local selling.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jan	403.8	404.9	0	0
Feb	405.6	406.7	407.6	404.6
Mar	408.1	409.2	0	0
Apr	411.0	412.0	412.6	410.0
Jun	416.1	417.1	418.1	415.3
Aug	421.5	422.5	422.1	421.5
Oct	427.0	428.0	0	0
Dec	432.6	433.6	434.0	432.5
Feb	405.6	406.7	407.6	404.6

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jan	521.3	533.6	530.0	518.0
Apr	520.1	532.3	530.9	515.0
Jul	518.5	531.8	528.0	514.0
Oct	518.1	532.0	526.5	526.0
Jan	519.6	534.0	0	0
Apr	523.1	536.0	0	0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jan	591.6	596.3	0	0
Feb	594.8	599.3	0	0
Mar	599.6	604.3	606.0	598.5
May	609.9	614.6	616.0	607.0
Jul	620.5	625.3	627.0	620.0
Sep	631.0	635.6	636.0	630.0
Dec	646.5	651.3	652.5	644.5
Jan	650.7	655.5	0	0
Mar	661.9	666.7	664.0	664.0
May	672.9	677.7	677.0	673.0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	144.70	145.30	146.00	144.60
Feb	140.20	140.50	0	0
Mar	134.70	134.75	136.20	133.40
May	126.40	124.75	126.30	124.60
Jul	121.40	120.75	122.00	120.30
Sep	118.20	117.55	118.60	117.26
Dec	114.90	114.05	115.00	114.50

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Feb	17.51	17.72	17.66	17.47
Mar	16.88	17.07	17.03	16.86
Apr	16.55	16.70	16.70	16.53
May	16.37	16.48	16.50	16.35
Jun	16.25	16.35	16.35	16.22
Jul	16.18	16.26	16.27	16.18
Aug	16.14	16.19	16.20	16.10
Sep	16.10	16.13	16.16	16.07
Oct	16.07	16.10	16.07	16.07

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Mar	5035	5111	5105	5020
Apr	4745	4798	4790	4725
May	4505	4544	4580	4505
Jun	4420	4444	4460	4405
Jul	4380	4394	4385	4375
Aug	4430	4439	4430	4430
Sep	4500	4504	4500	4495
Oct	4560	4569	4560	4560

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1352	1425	1390	1350
May	1359	1425	1394	1355
Jul	1364	1425	1398	1361
Sep	1366	1426	1399	1366
Dec	1378	1435	1402	1375
Mar	1389	1445	1406	1392
May	1404	1460	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	150.48	148.29	151.90	143.90
May	146.22	143.63	147.40	139.60
Jul	144.38	142.00	145.00	137.00
Sep	142.00	139.53	142.00	135.50
Dec	139.98	138.00	140.50	135.60
Mar	138.60	136.75	0	0
May	137.50	136.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Mar	10.10	10.27	10.44	10.10
May	10.11	10.26	10.41	10.10
Jul	9.90	10.07	10.20	9.89
Oct	9.67	9.82	9.96	9.67
Jan	9.00	8.90	0	0
Mar	9.45	9.61	9.66	9.61
May	9.50	9.57	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.64	59.84	59.98	59.31
May	59.95	60.08	60.22	59.60
Jul	59.90	59.99	60.21	59.52
Oct	57.95	58.10	58.10	57.80
Dec	57.75	57.95	58.15	57.60

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	157.20	157.05	157.90	156.50
Mar	153.30	153.70	154.30	153.10
May	152.85	153.40	154.00	152.50
Jul	152.40	153.20	153.50	152.30
Sep	152.35	153.20	153.10	152.25
Nov	149.30	150.30	150.30	149.50
Jan	149.00	150.00	0	0
Mar	149.00	150.00	0	0
May	149.00	150.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Jan 9	Jan 6	mnth ago	yr ago
1998.7	1987.4	1864.0	1765.0

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	142.19	143.89	136.13	134.44
Futures	144.47	145.95	140.74	137.10

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	802/4	806/4	810/4	802/0
Mar	815/0	817/4	823/4	814/0
May	824/6	827/0	833/4	824/0
Jul	832/0	832/0	840/0	830/4
Aug	822/4	822/4	828/0	820/4
Sep	780/4	781/4	784/0	779/4
Nov	744/6	745/0	749/0	743/0
Jan	754/4	755/0	757/0	753/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Jan	22.79	22.99	23.06	22.76
Mar	23.14	23.38	23.45	23.14
May	23.64	23.82	23.95	23.63
Jul	24.12	24.40	24.42	24.12
Aug	24.20	24.47	24.58	24.20
Sep	24.35	24.60	24.60	24.38
Oct	24.33	24.65	24.60	24.33
Dec	24.40	24.57	24.75	24.40

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Jan	260.2	262.0	263.3	259.6
Mar	262.7	262.9	265.3	261.2
May	260.6	260.7	263.5	259.4
Jul	256.7	257.0	260.0	256.0
Aug	250.5	250.0	254.0	250.5
Sep	240.5	242.0	243.0	239.0
Oct	229.0	231.0	230.5	229.0
Dec	223.5	225.4	226.0	223.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Mar	289/4	289/2	290/6	287/6
May	295/2	295/2	296/4	293/4
Jul	298/2	298/2	299/2	296/4
Sep	284/0	284/0	284/6	283/2
Dec	276/6	277/4	277/6	276/0
Mar	282/6	283/6	283/4	282/2
May	285/4	286/4	286/2	285/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Mar	446/6	448/6	449/0	445/0
May	435/2	435/6	436/4	433/4
Jul	397/2	398/2	399/0	397/0
Sep	401/0	402/0	402/0	401/0
Dec	410/6	412/4	411/0	410/0
Mar	413/0	414/0	0	0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Feb	74.02	73.65	74.17	73.50
Apr	75.67	75.27	75.95	75.30
Jun	74.35	74.00	74.60	74.02
Aug	72.07	71.72	72.20	71.72
Sep	71.80	71.50	71.80	0
Oct	71.06	70.70	71.30	70.86
Dec	72.05	71.70	72.05	71.75

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Feb	46.17	46.37	46.55	45.85
Apr	45.20	45.27	45.65	44.90
Jun	49.86	49.52	50.00	49.22
Jul	49.65	49.77	50.15	49.45
Aug	49.15	49.02	49.32	48.85
Oct	45.20	45.10	45.35	45.05
Dec	46.72	46.65	46.75	46.38
Feb	46.40	45.82	46.40	46.40

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	42.60	42.45	43.00	41.75
Mar	42.95	43.07	43.50	41.95
May	44.62	44.82	45.25	44.20
Jul	45.97	46.02	46.45	45.52
Aug	45.12	45.30	45.75	45.05
Feb	60.50	61.60	60.50	59.70
Mar	60.87	60.87	0	0
May	61.00	61.00	0	0

LONDON STOCK EXCHANGE

Equities continue to move ahead

The London equity market continued to make progress yesterday, moving ahead for the fourth consecutive session. But a closing 4.5 improvement in the FT-SE 100-share index, to 1836.0, was only achieved after a struggle which lasted throughout a difficult trading session.

Casting a shadow over the day's events was confirmation of yet more job losses in the securities industry, this time at BZW, regarded as one of the most successful post-Big Bang investment houses. According to BZW, 19 employees, including market makers, salesmen and analysts, left the firm yesterday.

Account Dealing Dates			
First Declarations:	Dec 28	Jan 16	Jan 30
Option Declarations:	Jan 12	Jan 26	Feb 9
Last Dealings:	Jan 13	Jan 27	Feb 10
Account Day:	Jan 23	Feb 6	Feb 20

*New time dealings may take place from 9.00 am two business days earlier

An indifferent opening by blue-chips came in the wake of Press comment on the potential takeover bids for GEC, the consensus view being that any attempts to acquire the company would inevitably draw a Monopolies Commission reference.

Turnover in the electronics sector, one of the market's biggest arenas, contracted substantially as Monday's bid fervour cooled down significantly.

The opening falls in top shares were viewed with disappointment by traders who pointed to the latest strong showing by the Tokyo market and Wall Street's overnight climb. But sentiment took a distinct turn for the better as dealers picked up the scent of a market raid in the property sector. Brokers BZW, acting on behalf of Standard Life Assurance, moved in and successfully bid for 5.75m shares in Hammerson at £11 share, taking their stake in the property group up from 18 per cent to 28.8 per cent. Hammerson is currently under seige from the Dutch group, Rodamco.

The raid immediately triggered a flurry of interest in other property stocks as well as so-called takeover targets, including United Biscuits, George Wimpey, Dixons, De la Rue, and, in late trading, Hillsdown.

The burst of enthusiasm was extended to the mid-afternoon when the FT-SE reached the day's best level and showed a gain of just over six points, helped by an opening advance by Wall Street. The Dow Jones Average posted an opening rise of some five points but ran into a bout of turbulence which saw the index tumble by around 10 points as the London market closed. Stories circulating in *London of a US bank in trouble* were quickly discounted.

The London market has enjoyed a strong run since Christmas. "A bout a of profit-taking as the account draws to a close at the end of the week will do no harm at all" observed one senior market maker.

Turnover came out at 566.9m shares, only slightly down on Monday's figure of 591.4m which included the heavy activity in GEC, Ferranti and Plessey, and well up on last Friday's 456.2m. Banks also featured.

FINANCIAL TIMES STOCK INDICES

	Jan. 10	Jan. 9	Jan. 6	Jan. 5	Jan. 4	Year Ago	1988/89 High	1988/89 Low	Since Compilation High	Since Compilation Low
Government Secs	87.16	86.90	86.70	86.65	86.60	87.54	91.43 (18/4/88)	86.18 (14/12/88)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.56	96.09	96.00	96.97	95.93	94.82	98.67 (25/5/88)	94.14 (9/1/88)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1503.3	1502.0	1481.3	1471.5	1459.5	1396.9	1514.7 (6/6/88)	1349.0 (9/2/88)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	164.2	162.9	163.4	161.7	162.1	290.8	312.5 (7/1/88)	160.7 (3/1/89)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	4.87	4.88	4.95	4.98	5.04	4.46				
Earning Yld %(full)	12.22	12.29	12.48	12.55	12.73	11.14				
P/E Ratio(Net)(*)	9.89	9.84	9.70	9.63	9.48	11.00				
SEAQ Bargains(5pm)	29,335	31,813	22,893	23,095	20,732	23,743				
Equity Turnover(£m)	-	1348.25	1113.54	1140.29	739.89	845.33				
Equity Bargains†	-	32,904	25,394	24,105	21,929	25,242				
Shares Traded (ml)†	-	565.6	422.0	411.3	348.1	382.5				

Ordinary Share Index, Hourly changes

Opening	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1499.9	1501.5	1504.2	1502.3	1503.1	1503.0	1504.3	1501.3

DAY'S HIGH 1504.7 DAY'S LOW 1499.0

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974. *Nil 9.83 †Excluding intra-market business.

S.E. ACTIVITY

Indices	Jan. 10	Jan. 9
Gilt Edged Bargains	101.5	94.3
Equity Bargains	213.2	163.3
Equity Value	2725.2	2250.7
5-Day average		
Gilt Edged Bargains	90.2	75.9
Equity Bargains	182.0	122.2
Equity Value	1920.0	1518.5

● London Report and latest Share Index: Tel. 0898 123001

Further doubts on GEC bids

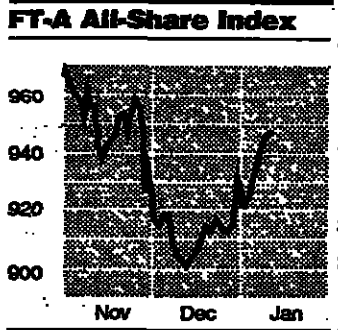
The controversy aroused by a possible consortium bid for GEC rumbled on yesterday with GEC shares drifting back on persistent selling pressure to close a net 1¾ off at 219¾p, after 217½p, in turnover of 13m.

Reports of bids eventually emerging for the UK's biggest electronics group drew widespread media comment and the almost unanimous view that any offers would immediately attract referral to the Monopolies & Mergers Commission (MMC).

Commenting on developments at GEC/Siemens/Plessey and the chances of a Metsun offer, County NatWest WoodMac's Mr Patrick Wellington said: "Even if Metsun does make an offer for GEC, it looks almost certain that the bid will be referred to the MMC," adding, however, that "the possible bid once again highlights both the chances of realignment of UK electronics and the degree of European interest in the sector constituents."

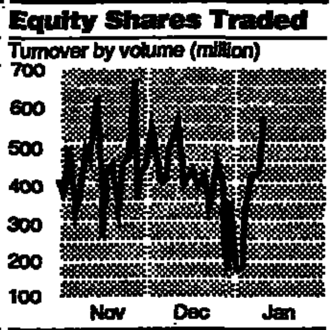
At Flemings Research the electronics team observed that it was much more likely at the end of the day that the GEC-Siemens would acquire Plessey than that Metsun would get GEC. Flemings recommend clients to reduce holdings in GEC over 220p but hold their "buy" on Plessey "since we believe that GEC-Siemens will be successful and that the eventual takeover price for Plessey will be in the region of 270p (assuming no white knight materialises in which case it could be higher)." Plessey held at 236p, after turnover of 8.1m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



Standard intercedes

Hammerson's hopes of seeing off Rodamco's hostile £1.8bn bid improved substantially when Standard Life Assurance bought 5.75m ordinary shares at £11 in early morning trading. The unexpected raid – which took brokers Barclays de Zoete Wedd just 3 minutes to execute – increased Standard's stake in the UK group to 28.8 per cent, and was accompanied by a formal rejection of Rodamco's bid.

News of the buying initially sent both sets of shares higher, but by late afternoon profit-taking saw the ordinary close 25 better at 985p (11m traded) and the "A" shares 36 easier at 884p (3.9m traded). The consensus in the market was that Standard's move should dispel any thoughts Rodamco had of an easy victory.

However, the battle is not over yet, because Standard went out of its way to say that it would consider a higher offer for its Hammerson holding. There is speculation that the Dutch group might increase its bid to around £11-a-share – this is the figure widely-expected from Hammerson when the company releases a new asset value this week.

Yet one analyst pointed out that, because of tax considerations, it remains unlikely that *Standard would consider selling* its stake for anything less than £12-a-share, a price that he felt Rodamco would probably consider as too steep.

Camford on alert

Camford Engineering staged a late run, ending 12 higher at 204p amid speculation of another market raid on the shares. The chairman, Mr Brian Cox, warned shareholders yesterday that should Markheath Securities, which attempted unsuccessfully to increase a stake of 11 per cent last month, contact them trying to acquire shares, they were not to sell before receiving advice from the board.

Mr Cox also reported good progress in the relocation of King's manufacturing facilities, saying that latest bids value the site in excess of £22m compared with the figure of £20m indicated only last month. He concluded: "current trading is excellent and the results for the year to September 1988 are due to be announced shortly."

Enterprise bought

Enterprise continued to dominate oil exploration issues. The shares vaulted 16 more to 510p as the market came round to the view that the current buying interest was probably from institutional sources and not on behalf of Elf Aquitaine, the French 25.2 per cent stakeholder.

A trader explained that every time Enterprise moves more than a few pence higher "we all try to put a story to it." Another dealer said he believed the market had undervalued the group's prospects, but he would not rule out the *possibility of a "wedge stake"* being built with some 58 per cent of the Enterprise equity tightly held.

Banks were buoyed by demand ahead of next month's reporting season, with National Westminster climbing 10 to 537p as investors switched out of Midland into the stock. This appeared to have little effect on Midland which closed 5 better at 417p. Also in demand were Barclays, up 6 at 418p.

Guinness fell 6 to 334p on volume of 10m shares amid suggestions that the company was buying back its shares again.

The building sector was stimulated by Standard Life's purchase of ordinary shares in Hammerson which helped boost companies which are seen as possible bid targets. These included Costains, where Trafalgar House has a 7.7 per cent stake, which rose 3 to 306p and Taylor Woodrow, where P&O holds 6 per cent, up 6 at 497p.

The Hammerson news also revived talk of a possible takeover of George Wimpey, 9 higher at 278p in good volume of 4.5m shares. Countryside Properties, which announced a 73 per cent rise in annual profits, fell 3 on profit-taking to 341p.

Shoe group Stead & Simpson, which successfully saw off a hostile £108m bid from Clayform last summer, gained a penny to 114p after reporting a near 25 per cent improvement in interim profits to £6.07m. Another group with strong shoe interests, Stam, continued to attract speculative buyers, and the shares closed 5 better at 152p.

The excitement generated in the electronics sector by the GEC/Plessey saga tended to fade. Ferranti edged up to 103¾p on turnover of 3.3m – "disappointing" said one dealer, while interest among the other front-line issues bore no comparison to that on Monday.

Amstrad dipped late in the day to close 4 off at 168p, albeit in very thin trading.

United Scientific were persistently sold as the rumoured bid for the company failed to materialise and the shares dropped 10 to 173p.

Intra-market activity led to a squeeze on supplies of McKechnie and the shares bounced 12 to 292p. Weir Group was subject to a similar technical situation and rose 6 to 253p, while Laird rushed ahead late to end 12 up at 220p.

Hillsdown were well supported among Food stocks, climbing 12 to 251p on talk that the Kuwaiti Investment Office was using some of its money from the sale of its holding in BP to add to its existing 8 per cent stake in Hillsdown. A revival of bid interest helped United Biscuits add 10 at 324p on turnover of over 8m shares.

A bear squeeze in selected issues saw Bassett Foods advance 6 to 299p, Booker 5 to 393p and William Low 3 to 242p. Supermarket concern Asda weakened 4 to 134p after two broking houses downgraded their profits forecasts for the group.

Unilever climbed 5 to 468p on press reports that it was negotiating to buy Fabergé, the US manufacturer of cosmetics. The news was confirmed from New York near the end of the day. One dealer said that, in addition, Unilever PLC shares were at a discount from Unilever NV in the Netherlands, and this was encouraging switching into the British arm.

British Aerospace rose 16 to 462p on volume of 2.1m. Dealers cited a shortage of stock, reports that Hoare Govett were keen on the stock, recent orders for Airbus and the strength of the dollar as reasons for the rise. Wellcome, which was also benefited from a strong dollar, rose 11 to 426p

Eurotunnel, which rose 50 on Monday, fell 25 to 568p as investors took profits.

●Contrary to recent reports, Eurotunnel became a constitutent this month of the FT-Actuaries shares indices and not the FT-SE 100 share index.

Pilkington rose 4½ to 215p. One marketmaker said there was talk of a bid from BTR, of Hanson building a 4 per cent stake and of a possible increase in glass prices. However, he thought the strength of the dollar was probably the main reason for the rise. Hanson itself fell 2 to 161p on selling in the UK even though there continued to be demand from the US.

News that the Abdullah brothers intended to resign from the board of Evered pushed the shares up 11 to 107p. One dealer said that the move would mean the company returning to its fundamental businesses and ceasing to be an acquisitive conglomerate of the type which is out of favour in the current market.

TVS Entertainment closed 10¼ down at 288p after reporting annual profits up 11 per cent. One dealer said there were still doubts about the potential contribution of the group's recent US acquisition, television programme-maker MTM, and that the picture would not clear until August.

FR Group came away further from the 1988/89 low point to end 11 up at 223p on thoughts that the shares could regain favour in the wake of Monday's favour for electronic and defence stocks.

Reed International, having lagged behind recently, came with a flurry as marketmakers went round the market bidding for stock. The shares rose to 378p before the movement was reversed by the appearance of an agency broker seller, whose actions left the price at 373p for a rise on balance of 7.

Property stocks were boosted by developments in the Hammerson/Rodamco story, but early gains were pegged back by profit-taking before the close. Land Securities rose 3 to 555p, after peaking at 559p.

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Blue Circle	419	445	-3	Grand Met.	4,100	448	+3	P&O	346	544	+2	Tarmac	855	228	-3
Boots	1,600	238	+2	GUS A	342	972	-3	Pilkington	6,200	215	+4½	Tate & Lyle	102	841	+2
British Airways	4,500	160	+3	GRE	1,700	183	-1	Plessey	3,200	236		Tesco	5,400	135	+1
Brit. Aerospace	2,100	462	+16	GKN	1,000	318½	+7	Polly Peck	262	274	-1	THORN EMI	1,100	648	+3
Brit & Comm.	1,400	284	-5	Guinness	10,000	334	-6	Prudential	3,700	154		Trafalgar House	773	294	
British Gas	6,800	198½	-½	Hammerson "A"	3,875	884	-37	Racal	3,000	292	-2	Trusthouse Forte	682	254	-½
British Land	1,400	331	-7	Hanson	13,000	161	-2	Rank Org.	232	721	-8	Ultramar	893	288	-1
BP	3,300	253		Harrisons & Cros.	257	661	-9	RMC	88	512	+1	Unilever	3,000	468	+5
British Steel	36,000	63½	+½	Hawker Siddeley	1,500	563	+5	RHM	387	359	+2	United Biscuits	7,900	324	+10
British Telecom	3,031	263		Hillsdown Hldgs	3,600	251	+12	Reckitt & Colman	99	928	+4	Utd. Newspapers	302	375	-3
Burmah Oil	745	498	-5	IMI	1,400	190		Redland	245	429	+1	Wellcome	1,500	426	+11
Burton	1,600	173		Imp. Chem.	2,700	1073	+8	Reed International	2,071	373	+7	Whitbread "A"	342	304	
Cable & Wireless	1,700	367	-2	Inchcape	484	284½	+½	Reuters "B"	2,100	543	+11	Williams Hldgs.	942	333	+1
Cadbury Schweppes	942	342	+2	Jaguar	2,000	275		RTZ	2,100	450	+1	Wimpey	4,500	278	+9
Coats Viyella	1,000	147½	-1½	Ladbroke	1,400	428	+½	Rolls Royce	3,300	139½	-1	Woolworth Hldgs	582	290	+1

Peel Holdings, up 6 at 296p, *increased its stake in take*-over-target London Shop to 35.6 per cent after buying another 1m shares at 340p. The feeling in the market is that Peel should win control of its prey, so long as Mr Berish Berger, whose private group Land & Property Trust has a small stake in London Shop, does not mount a rival bid. An announcement from Mr Berger said he will make an announcement regarding his intentions soon. London Shop closed 2¼ weaker at 340¼p.

British Land fell 7 to 336p on the news that it will be raising its holding in Friendly Hotels *to 10.4 per cent by taking up* over half of the latter's £11.6m issue of convertible preference shares.

Mersey Docks & Harbour, up 6 at 481p, responded to the *joint partnership venture* with Barratt Developments aimed at transforning another of Liverpool's riverside installations into housing by creating a dockside village at Waterloo Warehouse, adjacent to the famous Pier Head.

Courtaulds gave back some of the recent strong advance as short-term operators realised their profits and the close was 5 down at 277½p.

Rothmans International began to move forward, gaining 6 to 434p, in the wake of buy recommendations. Mr Mark Duffy of Warburg Securities believes Rothmans' under*performance in Q4 was due to* misplaced bid hopes and some misunderstanding of the six month earnings announced in November. "Timing differences and exceptionals charged in *the first half should* unwind in the second. The long term imprpovement in liquidity continues, leaving the existing business undervalued", says Mr Duffy. Rothmans also received the accolade of "share of 1989" in a City market report.

Investment Trusts heavily invested in Japanese and Far Eastern stocks went to 12-month peak levels following the latest and unexpected surge in the Tokyo market. The list of gainers included Baillie Gifford, 518p, Govett Oriental, 331p, F&C Pacific, 156p, and GT Japan, 322p.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 28

NEW HIGHS AND LOWS FOR 1988/89

NEW HIGHS (86).

LOANS (1) N'wide 3⅞pc IL Ln 2021, AMERICANS (3), CANADIANS (2), BANKS (2) Bank Scot. 9¼pc Irred Pf., Mitsubishi Bank, BUILDINGS (6) Int'l. Amco, Johnstones Paints, Lafarge Coppee, Newarthill, SWP Grp., Watts Blake, CHEMICALS (2) Caird Grp., Perstorp 'B', ELECTRICALS (6) ASEA AB 'A', Do. 'B', Ericsson (L.M.), Newmark (L.), Racal Telecom, Sony, ENGINEERING (3) Castings, Firth, SKF, FOODS (8) BSN, Bassett Foods, Kwik Save, Low (W.), Meat Trade, Nurdin Peacock, Sutherland, Utd. Biscuits Wrrts., INDUSTRIALS (10) BTR, Cathay Pac., Electrolux, Emhart, Jardine Hdg., Jardine Strategic, Marling Ind., Pacific Dunlop, Sothebys Class 'A', Tame, INSURANCE (1) Amer. Int'l. Grp., LEISURE (2) Castle Comms., Sunset & Vine, MOTORS (2) Gen. Motors, Volvo, NEWSPAPERS (1) Haynes Pub., PAPERS (1) Ogilvy, PROPERTY (2) HK Land, Randsworth Tst., SHIPPING (1) Bergesen d-y AS 'A', TRUSTS (22) OILS (2) Norsk Hydro, Premier Cons., PLANTATIONS (1), MINES (1).

NEW LOWS (36).

BREWERS (1) Devenish (J.A.), STORES (1) Courts, ELECTRICALS (2) Real Time Control, UCL, ENGINEERING (1) Airship Inds., FOODS (3) Bio-Isolates, Northumbrian Foods, Tavener Rut., INDUSTRIALS (4) Assoc. Brit. Eng., Quotient, Security Archives, Tech. Project Serv., LEISURE (1) Greenwich Comm., PAPERS (1) Hunterprint, PROPERTY (2) Rockfort, Shield, TEXTILES (2) Munton, Smallshaw (R.), TRUSTS (4) Baltic 7pc Cv. Rd. Pf., Child Health Wrrts., GPG, Nat. Home Ln. 7½pc Cv. Pf., OILS (2) Falmouth Pet., MINES (3), THIRD MARKET (1).

APPOINTMENTS

Ash & Lacy chairman

■ **Mr David Fletcher**, group managing director, becomes chairman and chief executive of ASH & LACY following the retirement of **Mr Fane Vernon** on January 16. **Mr Peter Robinson**, managing director of Ash & Lacy Perforators, has joined the main board; and **Mr Norman Askew**, managing director of TI Group's specialised tube business, becomes a non-executive director.

■ F.J.C. LILLEY, Glasgow, has appointed **Mr Derek R.H. Walker** as managing director of Lilley Developments. He was director and general manager of Balfour Beatty Homes.

■ SKETCHLEY VENDING has made **Mr Pat Prendergast** managing director of the supplies and purchasing division. He was managing director of Autobar Food Services.

Mr David Singleton has been appointed managing director of ARC's UK aggregates operations. He was group marketing and development director, and succeeds **Mr Frank Clifford** who has retired.

■ TROLLOPE & COLLS CONSTRUCTION, a Trafalgar House company, has appointed

Mr David Fletcher, chairman of Ash & Lacy.

Mr Courtney Cornish as assistant managing director. He was a director of sister company, Trollope & Colls City.

■ **Mr Jeffrey Morgan** has been made finance director of the CERT SERVICES GROUP. He was with the system line division of Federal Express.

■ AM MULTIGRAPHICS has promoted **Mr Dave LeSage** to director, multigraphics operations. He was director of sales.

■ The RAINFORD GROUP has apppointed **Mr Richard P. Wood** as its sales and marketing director and **Mr John K. Acornley** financial director. Mr Wood was Northern European vice president at Augat International. Mr Acornley was financial director of the Kingsgrange subsidiary, Jean Sorelle.

■ **Mr John Brown**, finance director and company secretary, has been appointed corporate director and *continues as group secretary* at BERNARD MATTHEWS. **Mr Noel Bartram**, chief accountant, becomes finance director.

■ **Mr Andrew Street** has been appointed construction director of WILTSHIER CONSTRUCTION *MANAGEMENT*. He was with Hunting Gate. **Mr David Roberts**, commercial manager, has been promoted to commercial director.

■ **Mr Victor Green** has been appointed chairman of KEY BUSINESS FINANCE CORPORATION. He was chairman of IFSSEC. **Mr Nicholas L. Edwards** has been appointed business development manager in the asset finance division. He was with the southern industrial division of Chartered Trust.

■ **Mr Philip Goodwin** has been appointed local director for the north eastern area of 3i.

■ **Mr Keith Dalwood** has been appointed group treasurer and an associate of FIRST NATIONAL FINANCE CORPORATION, and has been appointed to the board of First National Commercial Bank. He will become secretary of the corporation on February 22, following the annual meeting. **Mr John Scott** has been appointed finance director and secretary, and **Mr Michael Mew** becomes director of management information services on the board of First National Bank.

■ **Mr Raymond D. Streeter** has been appointed to the board, and **Mr Roger Govus** becomes deputy underwriter at TOA RE-OATLEY UNDERWRITING MANAGEMENT COMPANY.

■ FENNOSCANDIA BANK, London, has made the following promotions: **Mr D.H. Adamson, Mr J.J. Hall, Mr A.C. Rogers** and **Mr S.H. Selin** to executive director; **Mr J.A.M. Greig** and **Mr P.R. Sutton** to senior managers; **Mr S.B. Eighteen** to manager.

■ CITICORP has appointed **Mr Andy Gardner** and **Mr Graham Gardner** as directors of Citicorp Insurance Brokers marine division.

■ **Dr Kenneth S. Warren** has been appointed director for science in the MAXWELL GROUP, dividing his time between London and New York. He was associate vice president for molecular biology and information sciences at the Rockefeller Foundation, New York.

BUSINESS LAW

European code on where to sue

By Celia Hampton

Businessmen answering the call of the single European market should be sure to pack a lawyer somewhere in their luggage. This will weigh heavy and may dampen their entrepreneurial enthusiasm, but it could save a lot of anguish if the business takes an unexpected turn in an unfamiliar setting. There is no immediate prospect of replacing all Europe's richly diverse laws with a single scheme for commercial dealings. Lawyers are therefore essential to explain the local implications of a business deal, how best to avoid difficulty and what to do if things go wrong.

The mechanics for deciding what to do and where to go when a cross-border transaction comes unstuck are inevitably complex. Different national laws may not even agree on the legal species to which a dispute belongs – whether it arises from a broken contract or a civil wrong, for instance.

The EC has a code for deciding where civil and commercial disputes should be litigated – the Brussels Convention of 1968 – which replaces many of the differing national jurisdiction rules. By enabling judgments obtained in one country *to be recognised and enforced* in the other EC countries, the convention has also set up a "single market" in which judgments have the freedom of movement (to be enforced throughout the EC) accorded to goods, people and businesses.

The first nine countries to *join the EC are fully applying* the Brussels Convention. But before long the convention's regime will have a broader application. On September 16 1988, the six European Free Trade Association countries signed the Lugano Convention, which is in most respects identical to the Brussels Convention. It will establish a single market in judgments throughout Western Europe.

The Brussels Convention was an ambitious project. Although it draws on accepted principles from the national systems over which it claims ascendancy, an international regime cannot accommodate the intricacy found in most national systems, let alone in all of them. No one would expect such a universal system to be universally popular, and the convention has occupied countless learned man-hours in criticism and debate, and quite a few in litigation.

Nevertheless, the Brussels-Lugano regime will provide European businessmen and their lawyers with a relatively manageable framework, at least when compared with the local jurisdiction rules of up to 25 countries (if Malta, Cyprus and the micro-states accept the Lugano invitation to join in) and the regional variations in conglomerate states like the UK, Germany and Switzerland.

It does not dispense with the need for local legal advice on the implications, for instance, of choosing one national law rather than another to apply to *a contract, but it puts considerable* trouble-shooting capacity into the hands of every High Street lawyer in Europe.

There are many unresolved practical problems under the convention's machinery. For instance, can a preliminary order issued by a court in the defendant's absence freezing his foreign bank account, be registered in the other country so as to make his cheques drawn there in other people's favour bounce? Such problems await case-law development by the European Court of Justice, which is responsible for tuning the convention's rather terse language into a working instrument.

The court will not have parallel jurisdiction over non-EC courts under the Lugano Convention. It is hoped that discrepancies in the interpretation of the two conventions' common provisions will be avoided by close consultation *and by the courts of the* Lugano countries taking "due account" of European Court rulings, and vice versa.

Last year the court's case load covered two issues which illustrate the general difficulty of finding an internationally acceptable interpretation of some of the Brussels provisions. It elaborated the idea of giving legal definitions an independent meaning designed only for deciding the question of jurisdiction, and it took the allocation of jurisdiction over land to a new and absurd extreme.

The normal rule under the convention is that the courts of the country where the defendant lives or carries on business have jurisdiction over any dispute involving him. Among the exceptions is one whereby a claimant may sue on a "matter relating to a contract" in the courts of the place where *the contract is to be*, or was to have been, performed. Another exception applies to "tort, delict or quasi-delict", which may be litigated where a harmful event has occurred or where a wrong is threatened.

The meaning of the words "contract", "tort" and so on gives rise to practical difficulty because of the different meanings attributed to them in each national legal system. For instance, a situation treated as a breach of contract in Ireland may be actionable only as unjust enrichment in Germany, and a violation of privacy is unlikely to be action*able at all in England*.

The court found that repudiation of a commercial agency was a "matter relating to a contract" (in *Arcado v Haviland*) since the claim could only be established by referring to the terms of the broken contract. Belgium, as the place where the agency was to be *carried out, was the proper* place for the claim to be tried rather than France, where the defendant was domiciled, even if under Belgian law the claim did not arise from the contract at all but out of a "quasi-delictual liability" (which might have made France the proper place to try the case).

The UK Government, intervening in the case, argued strenuously that the law of the court before which the claim is brought should be applied to deciding where it should be tried. Since there is no uniform EC concept of a contract, it argued, it is more likely to accord with the parties' expectations *if the national court* applies its own rules.

The European Court did not agree. The convention can only be fully effective if courts in all countries define matters before them according to the common purposes of the convention, not under their own divergent rules.

Later last year the court applied the same reasoning to the terms "tort, delict and quasi-delict", defining these roughly as matters of liability which are not contractual (*Kalfelis v Schroder*).

In time the court may itself give European flesh to these definitions. The purpose of its approach is to secure consistency of application, but the court will need case opportunities to expand on what exactly is meant. The approach favours prospective legal advice because of its relative simplicity, but may prove inim*ical to people who have been* caught unawares. It cannot be comfortable to sue for breach of contract in the courts of a country that says there is no contract.

The other contentious issue – jurisdiction over disputes relating to land – can only be solved by amending the convention.

Article 16 of the Brussels Convention gives exclusive jurisdiction to the courts of the place where the land is situated. In 1985 the court ruled that a private agreement made in Germany between two German residents for a holiday let *in an Italian house owned by* one of them had to be litigated in Italy simply because that was where the house was.

The Lugano Convention has moderated this ruling by allowing private contracts for short-term personal tenancies of property abroad to be adjudged in the defendant's *country*.

A more recent case came too late for correction in the Lugano text. The court found Article 16 so unambiguous that a tenancy dispute over a farm which straddled the border between Belgium and the Netherlands had to be litigated in both countries: only the Belgian court had jurisdiction over the Belgian bit of the farm and only the Dutch court had jurisdiction over the Dutch bit (*Scherrens v Maenhout*). This is a horribly inconvenient outcome.

The EC Commission, intervening in the case, proposed a sensible exception to Article 16's absolutist nature – that the exclusivity of the jurisdiction should be waived where the total land in dispute forms an economic unit. The court did not accept this, although it allowed that a small overlap, situated in another country but geographically contiguous to the main area, should be treated as part of the main area for the purposes of jurisdiction.

An opportunity to relax Article 16 is offered by the current negotiations for Spain and Portugal to join the Brussels Convention. The Lugano solution to the problem of suing on a personal tenancy should commend itself to EC courts, but the whole of Europe needs to get together, it seems, to bring some sense to cross-border property disputes.

Celia Hampton is Deputy Editor of the FT Business Law Brief.

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AUTHORISED UNIT TRUSTS

Medical Investments Ltd (1200)F
19 Widegate St, London, E1 7HP. 01-377 1010

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Health Fund	5¼	37.74	37.74	40.85	—	1.50

Mercury Fund Managers Ltd (1000)H
33 King William St, EC4R 9AS 01-280 2060

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Growth	5	91.72	91.97	98.11	-0.20	0.18
(Accum Units)	5	97.78	98.05	104.5	-0.30	0.18
American Income	5	41.75	41.75	44.42	-0.12	4.02
(Accum Units)	5	49.30	49.30	52.46	-0.14	4.02
American Sm Cos	5	37.37	37.71	40.23	+0.02	0.00
(Accum Units)	5	37.88	38.23	40.78	+0.02	0.00
British Blue Chip	5	42.45	42.53	45.37	+0.08	2.70
(Accum Units)	5	44.15	44.24	47.19	+0.09	2.70
European Growth	5	120.3	120.3	128.4	+1.60	2.59
(Accum Units)	5	127.2	127.2	135.7	+0.50	2.59
European Income	5	64.89	64.89xd	69.07	+0.29	4.71
(Accum Units)	5	71.80	71.80xd	76.44	+0.33	4.71
Exempt Jan 4 F	2	278.7	283.7	291.0	+1.10	3.99
(Acc Units) Jan 4 F	2	453.2	461.3	473.1	+1.80	3.99
General	5	300.0	301.7	321.9	+1.60	2.16
(Accum Units)	5	513.0	516.0	550.5	+1.10	2.16
Gilt	5	80.62	80.62xd	84.93	+0.25	8.34
(Accum Units)	5	109.4	109.4xd	115.2	+0.30	8.34
Global	5	45.82	45.93	49.00	+0.15	0.83
(Accum Units)	5	46.32	46.44	49.53	+0.14	0.83
High Income	5	45.40	46.08	49.16	+0.02	5.77
(Accum Units)	5	48.23	48.96	52.22	+0.03	5.77
High Interest	5	42.81	42.81xd	45.48	+0.07	8.18
(Accum Units)	5	48.07	48.07xd	51.08	+0.10	8.18
Income	5	99.50	100.3xd	107.0	+0.20	3.62
(Accum Units)	5	120.6	121.6xd	129.8	+0.30	3.62
International	5	274.6	274.6xd	292.0	+1.60	1.82
(Accum Units)	5	352.5	352.5xd	374.8	+2.00	1.82
Japan	5	195.0	195.0	207.6	+2.60	0.00
(Accum Units)	5	200.1	200.1	213.2	+2.70	0.00
Pacific	5	45.53	46.14	49.22	+0.58	2.36
(Accum Units)	5	45.92	46.54	49.65	+0.59	2.36
Recovery	5	252.0	258.0	275.3	+0.20	2.19
(Accum Units)	5	282.7	289.5	308.9	+0.30	2.19
UK Smaller Co's	5	43.81	44.85	47.85	+0.08	2.31
(Accum Units)	5	45.16	46.25	49.34	+0.09	2.31

Merlin Fund Mngmnt Ltd (0905)F
30 St James St, London SW1A 1HB 01-925 1277

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Merlin Intl	5	47.45	48.83	51.40	—	2.78
Ecology	5	50.10	51.40	54.10	—	1.84

Metropolitan Unit Trust Mngrs Ltd (1000)F
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Eurogrowth Plus*	6	47.75	48.19	51.27	-0.02	0.99
Global Growth	5¼	39.08	39.08	41.57	+0.24	0.60
Global Income Acc	5¼	47.47	47.85xd	50.91	+0.36	3.93
Do Income	5¼	44.81	45.18xd	48.06	+0.34	4.16
Sunrise Accum*	6	50.18	51.31	54.58	+1.03	0.00
UK Growth Acc	5¼	48.54	48.54xd	51.64	-0.09	1.94
UK Income Acc	5¼	57.82	59.90	63.72	-0.34	4.71
Do Income	5¼	55.39	57.38	61.04	-0.33	4.91

Midland Unit Trusts Ltd (1200)F
192 Eyre Street, Sheffield, S1 3RD 0742 529888

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
British Tst	5¼	48.31	48.54	51.64	—	2.98
(Accum Units)	5¼	48.31	48.54	51.64	—	2.98
Capital	5	100.4	100.4xd	106.8	—	2.69
(Accum Units)	5	143.8	143.8	153.0	—	2.69
European Growth	5	110.5	110.6xd	116.5	—	1.09

National Provident Inv Mgrs Ltd (1400)H
48 Gracechurch St, EC3P 3HH 01-623 4200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
NPI American Acc ♥	5	56.88	56.82	60.45	-0.10	1.99
NPI Americas Dist ♥	5	53.67	54.58xd	58.06	-0.09	1.99
NPI European Acc	5	54.49	54.66	58.15	-0.06	0.47
NPI European Dist	5	53.67	53.83	57.27	-0.06	0.47
NPI Far East Acc ♥	5	113.1	115.2	122.6	+1.60	0.13
NPI Far East Dist ♥	5	112.8	115.0	122.3	+1.70	0.1
NPI O'seas Acc	5	721.2	736.8	783.8	-1.30	1.43
NPI O'seas Dist	5	576.2	588.7	626.3	-1.00	1.45
NPI UK Acc	5	395.7	406.7	432.7	—	3.57
NPI UK Dist	5	231.7	238.2	253.4	—	3.57
NPI W'wide Acc	5	60.51	61.96	65.92	+0.13	1.74
NPI W'wide Dist	5	58.47	59.88	63.70	+0.13	1.74

Norwich Unit Tst Managers (1200)H
PO Box 4, Norwich NR1 3NG 0603 622200

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Group Tst Fd	5	1388.34	1337.50	1407.90	-0.02	4.29
Group Intl	5	134.61	136.26	143.43	+0.38	0.96
Pacific	5	132.87	134.61xd	141.70	+1.92	0.00
European	5	102.32	103.91	109.38	-0.40	1.02
Nth American	5	87.26	88.20	92.84	-0.07	1.89

PK English Trust (Inv Man) Ltd (1000)F
4, Fore Street, London, EC2Y 5EH 01-920 9120

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American*	5	43.86	44.19xd	46.64	—	0.0
Far Eastern*	5	146.46	149.79xd	157.36	—	0.3
Growth†	5	150.29	152.08xd	162.39	—	4.2
Income†	5	118.39	119.78xd	127.70	—	5.8
Scandinavian*	5	50.28	51.56xd	54.14	—	0.7

† Dealing Day: Wed. *Dealing day: Thurs.

Pearl Trust Managers Ltd (1000)H
Thorpe Wood, Peterborough PE3 6SA 0800 626577
Enquiry No: 0733 67767

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth	5	100.6	101.5	108.0	+0.2	2.79
(Accum Units)	5	156.7	158.2	168.2	+0.2	2.79
Income	5	151.5	152.6	162.3	-0.1	4.00
Equity	5	149.8	150.7xd	160.3	+0.2	3.23
(Accum Units)	5	276.2	278.0	295.7	+0.3	3.23
Intl Equity	5	146.5	146.8	156.2	+0.5	1.53
(Accum Units)	5	151.8	152.1	161.7	+0.5	1.53

Pembroke Administration Ltd (1700)F
18-19 Saudland St, London WC1R 4PZ. 0222 484848

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Pembroke Accum	5	62.25	62.85	66.55	—	0.00

Perpetual Unit Tst Mngmt (1200)F
48 Hart Street, Henley on Thames 0491 576868

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
International Gwth	5¼	283.24	283.24	302.94	+1.02	1.51
Income	5	208.93	208.93	223.30	-0.14	4.41
W'wide Recovery	5¼	157.61	157.61	168.57	+2.45	1.78
American Growth	5¼	66.96	66.96	71.62	-0.05	1.02
Intl Emerging Cos	5¼	72.09	72.09	77.11	+0.22	1.01
Far East Gwth	5¼	105.60	105.60	112.95	+1.70	0.76
European Gwth	5¼	61.79	61.92	66.23	+0.01	1.51
UK Growth	5¼	39.22	39.22	41.95	+0.14	2.74
High Income	5¼	49.05	49.05xd	52.46	+0.39	6.36
Japanese Gwth	5¼	98.48	98.48	105.33	+0.71	0.01

Prolific Unit Tst Mngrs Ltd (1000)H
222 Bishopsgate, London EC2 01-247 7544/7

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Income	5	52.14	52.80	56.24	+0.26	4.12
Conv & Gilt ♦	5	115.9	116.4	124.3	-0.9	6.28
Euro Gwth & Inc	5	42.72	42.72	45.64	+0.14	2.51
Extra Income ♦	5	118.0	118.0xd	126.4	-0.4	4.90
Far East	5	237.6	240.5	255.6	+4.8	0.01
High Income ♦	5	79.49	79.49	84.47	-1.17	4.60
International	5	121.7	121.7	129.6	-0.2	1.10
Nth American	5	112.4	116.0	123.6	+1.6	0.02
Pref & Fxd Int ♦	5	46.52	47.20	50.11	+0.09	8.40
Special Sits ♦	5	89.14	89.14xd	95.23	+0.82	0.97
Technology	5	110.3	112.0xd	119.5	+0.3	0.80

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♣ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust Information pages.

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	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or −	Yield Grs
United Charities Unit Trusts (1000)H						
Unicorn Hse, 252 Romford Rd, E7. 01-534 5544						
United Charities	5	170.9	172.1	183.6	−2.4	4.94
Vanguard Trust Mngrs Ltd (1200)F						
Admin, 5 Rayleigh Road, Hutton, Brentwood, Essex						
Enquiries 01-236 9052 Dealing 0277 261010						
American & Gen	5	60.32	60.86	64.74	−0.07	1.77
(Accum Units)	5	62.35	62.90	66.92	−0.02	1.77
European Inc	5	44.33	44.60	47.45	+0.02	1.43
(Accum Units)	5	44.89	45.17	48.05	+0.04	1.43
Far East & Gen	5	61.43	61.90	65.85	+0.79	0.00
(Accum Units)	5	61.43	61.90	65.85	+0.79	0.00
Glenfriars	5	220.2	225.4	240.2	+2.4	1.94
(Accum Units)	5	227.4	233.1	248.0	+2.1	1.94
Growth	5	220.5	220.5	234.6	+1.6	3.04
(Accum Units)	5	335.9	335.9	357.3	+2.4	3.04
High Yield	5	278.2	278.9	296.7	+1.0	4.10
(Accum Units)	5	305.2	306.1	325.6	+1.1	4.10
Master Portfolio	1½	6975	7009	7100	+90	2.95
(Accum Units)	1½	7303	7339	7527	+52	2.95
Special Sits	5	54.31	54.31	57.78	+0.38	2.65
(Accum Units)	5	57.11	57.11	60.76	+0.35	2.65
Trustee	5	161.5	161.5	171.8	+0.09	3.98
(Accum Units)	5	270.2	270.2	287.4	−0.2	3.98
Wardley Unit Tst Mngrs Ltd (0900)H						
99, Bishopsgate, London, EC2P 2LA. 01-374 0861						
American	5¼	56.45	56.45	60.37	+0.14	1.8
Intl Growth	5¼	68.56	68.56	73.52	+0.27	0.4
Income	5¼	116.2	116.2	124.3	—	5.5
Japan Growth	5¼	205.0	208.0	222.5	+3.20	0.1
Pacific Perf	5¼	125.7	125.7	134.4	+2.40	0.6
Small Co's	5¼	135.9	135.9	145.3	+0.18	1.6
Technology	5¼	29.28	29.28	31.31	−0.15	0.1
Australia	5¼	60.04	60.04	64.21	+1.17	1.7
UK Trust	5¼	160.0	160.0	171.1	−0.05	2.8
European Growth	5¼	51.80	52.30	55.94	−0.81	0.1
Hong Kong	5¼	32.35	32.61	34.88	+0.70	1.6
Intl Income	5¼	19.27	19.22	20.60	+0.01	8.0
S'pore & Mlysia	5¼	23.34	23.34	24.96	+0.19	0.5
British Winners	5¼	24.72	24.72	26.43	−0.01	2.6
Waverley Unit Tst Mngmt Ltd (1000)F						
13 Charlotte Sq, Edinburgh 031-225 1551						

	Bid Price	Offer Price	+ or −	Yield Gross
AEtna Life Insurance Co Ltd—Contd.				
1982 Series				
Managed	259.9	273.6	+1.9	—
Bond	133.5	140.6	+1.7	—
Pre 1982 Series				
Aetna Life				
3 Way	584.40	584.40	−2.6	—
Equity Pension	930.00	930.00	−11.1	—
Aetna Pensions Ltd				
3-Way Managed	567.98	567.98	+1.66	—
Exempt Approved				
Mixed Managed	186.53	190.34	+0.43	—
Gilt Edged	13.33		+0.05	—
Albany Life Assurance Co Ltd				
3 Darkes Lane, Potters Bar EN6 1AJ 0707 42311				
Life Funds				
Brit Blue Chip Fd Acc	115.7	121.8	+0.1	—
Equity Fd Acc	909.3	957.2	+1.2	—
European Fd Acc	205.5	216.3	+0.2	—
Intl Fxd Int Fd Acc	199.0	209.4	+0.8	—
Fixed Int Acc	335.5	353.1	+0.9	—
Gtd Money Fd Acc	227.1	239.0	—	—
High Income Fd Acc	104.4	109.9	+0.1	—
Intl Man Fd Acc	367.2	386.5	+1.4	—
Japan Fd Acc	296.8	312.4	+2.8	—
UK Smllr Co's Fd Acc	102.1	107.4	+0.7	—
Global Metro	97.0	102.1	+0.4	—
UK Metro	97.8	102.9	−0.2	—
Nth American Fd Acc	163.2	171.8	−0.2	—
Pac Basin Fd Acc	132.2	139.1	+1.2	—
Prop Fd Acc	310.4	326.7	+0.1	—
Multiple Inv Acc	630.9	664.0	+1.3	—
Pension Funds				
Brit Blue Chip Acc	122.1	128.5	+0.2	—
Eq Pen Fd Acc	1702.3	1791.8	+2.8	—
Euro Fd Acc	255.0	268.4	+0.2	—
Fixed Int. Acc	676.4	711.9	+1.7	—
Gt Money Pn Acc	401.1	422.2	+0.1	—
High Interest	134.2	141.2	+0.1	—
High Income Fd Acc	107.6	113.2	—	—
Intl Man Fd	538.8	567.1	+2.8	—
Jap Pen Fd Acc	421.8	444.0	+5.6	—
UK Smllr Co's Fd Acc	103.9	109.4	+0.2	—

OTHER UK UNIT TRUSTS

INSURANCES

Continued on next page

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National Provident Institution
48 Gracechurch St, London EC3P 3HH 01-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	296.1	311.7	+0.2	-
UK Equity	367.0	386.4	-	-
Overseas Eq	276.0	290.6	-0.4	-
American	209.9	221.0	-0.4	-
Far East	351.6	370.2	+4.1	-
Property	199.1	209.6	+0.1	-
Fixed Int	218.1	229.6	+0.7	-
Indexed Gilt	128.6	135.4	+0.3	-
Deposit	145.3	153.0	-	-
Pension Fund (Accum Units)				
Managed	384.0	404.3	+0.6	-
UK Equity	429.7	452.4	+0.3	-
Overseas Eq	443.9	467.3	+1.1	-
American	281.7	296.6	-1.0	-
Far East	598.9	630.5	+9.4	-
Property	237.4	249.9	+0.3	-
Fixed Int	251.8	265.1	+0.9	-
Indexed Gilt	139.2	146.6	+0.3	-
Deposit	185.1	194.9	-	-
NPI Pensions Management Ltd				
Managed Fund	1892.9	908.9	+0.9	-

Prices January 3 Next dealing February 1

Norwich Union Asset Management Ltd
PO Box 124, Norwich NR1 1JS 0603 683986

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	55.2	58.1	+0.1	-
Stock Market Mngd Fund	53.1	55.8	+0.1	-
Equity Fund	55.6	58.5	-	-
International Fund	51.4	54.2	+0.3	-
European Fund	52.3	55.1	-0.2	-
North American Fund	45.5	47.9	-	-
Pacific Fund	64.1	67.5	+0.7	-
Property Fund	70.1	73.7	-	-
Fixed Interest Fund	52.2	55.0	+0.3	-
Index linked Sec Fund	53.4	56.2	-	-
Deposit Fund	55.4	58.4	-	-
NUAM Retirement Plus				
Mixed Fund	59.1	62.3	+0.6	-

Providence Capital Life Assc. Co Ltd
30 Uxbridge Rd, London W12 8PG 01-749 9111

	Bid Price	Offer Price	+ or -	Yield Gross
UK Equity Acc	183.4	193.5	+1.8	-
UK Fixed Int Acc	142.2	150.0	+0.5	-
Intl Equities Acc	137.9	145.5	+3.2	-
UK Managed Acc	145.4	153.3	+1.5	-
Property Acc	224.1	236.4	+0.2	-
Money Acc	103.4	109.1	+0.1	-
Special Market Acc	108.8	114.8	+1.6	-
Japan Equity Acc	144.8	152.8	+4.5	-
North American Acc	89.7	94.7	+1.8	-
Pacific Acc	78.7	83.1	+2.9	-
Technology Acc	109.0	115.0	+1.1	-
Nat Resources Acc	61.2	64.6	+1.8	-
European Acc	81.5	86.1	+0.1	-
Residential Prop Acc	116.3	122.7	-	-
Swiss Equities Acc	31.7	33.4	-0.1	-
Hong Kong Acc	49.3	52.1	+2.4	-
UK High Inc Eq Acc	60.0	63.3	+0.8	-
Int Fixed Interest Acc	49.5	52.3	-	-
Int Managed Acc	48.0	50.6	+0.5	-
HIP Managed Acc	102.9	108.5	+0.6	-
Total Investment Bond				
UK Equity Initial		127.9	+1.1	-
UK Fixed Int Initial		99.4	+0.4	-
Intl Equities Initial		95.6	+2.1	-
UK Managed Initial		101.6	+0.9	-
Property Initial		157.7	+0.1	-
Money Initial		72.7	+0.1	-
Special Market Initial		86.7	+1.2	-
Japan Equity Initial		115.4	+3.4	-
North American Initial		71.5	+1.3	-
Pacific Initial		62.7	+2.1	-
Technology Initial		86.8	+0.8	-
Nat Resources Initial		48.8	+1.4	-
European Initial		75.1	+0.1	-
Residential Prop Init		114.0	-	-
Swiss Equities Initial		30.9	-0.1	-
Hong Kong Initial		48.4	+2.2	-
UK High Inc Eq Init		58.7	+0.6	-
Int Fixed Interest Init		49.2	-	-
Int Managed Init		47.8	+0.5	-
HIP Managed Init		102.6	+0.6	-
Broker Fund				
Towerhill Mngd Fd Acc	43.5	45.8	+0.6	-

IoM AUTHORISED

BERMUDA AUTHORISED

OFFSHORE INSURANCES

JERSEY AUTHORISED

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

GUERNSEY AUTHORISED

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

Deloitte Group

OTHER OFFSHORE FUNDS

Abbey Global Investment Fund

Adams & Neville Fund Mngrs (Guernsey) Ltd

Adig Investment

AEtna Federated Intl Umbrella Fund (Lux) SA

AEtna Intl Assurance (Bermuda) Ltd

Alliance Capital Mngmt Intl

Allied Irish Fund Managers (CI) Ltd

Anglo-Swiss Asset Management Ltd

Bank of America International

Barclays Intl Funds

Baring International Group

Bermuda Intl Invest Mngt Ltd

Brazilian Securities Ltd

Bridge Management Ltd

Bridge Singapore Asset Mngmt Ltd

Brown Shipley Fund Mngmt (CI) Ltd

Butterfield Management Co Ltd

CAL Investments (IoM) Ltd

CI—Alexander Hume (Bermuda) Ltd

CMI Financial Mngmt Services Ltd

CBC Asset Management Limited

Capital House Investment Management Ltd

Capital International

Cater Allen Investment Management (CI)

Cortexa International

Credit Suisse

Credit Commercial de France

DWS Deutsche Ges. F. Wertpapiersp

Dartam International Trust Co Ltd

Dean Witter World Wide Invest. Tst SA

Delta Group

Deutscher Investment-Trust

Dollar Assets Portfolio

Dreyfus Intercontinental Inv. Fd.

Ermitage Group

Eurotrust

Fidelity International

Fleming Group

Framlington Overseas Fund Mngt Ltd

Frankfurt Trust Investment-GmbH

Gaia Currency Hedge Funds

Gartmore Fd Mngrs (Far East) Ltd

Gartmore Fund Managers (IoM)

Gartmore Investment Ltd

Global Asset Management Corp

Govett (John) Mngt (Jersey) Ltd

Grindlays Cap-Corp Intl Mgt Co Ltd

Guinness Flight Intl Fund Mgrs Ltd

Hambros Pacific Fund Mgmt Ltd

Henderson Global Strategy Mngt SA

Hill Samuel Investment Services Intl

Jardine Fleming Unit Trusts Ltd

Kleinwort Benson Group

Korea Growth Trust

Lazard Offshore Funds

Lloyds Bank Group

London Interstate Fund Managers Ltd

M & G Island Fund

Meridian Fund Managers Ltd

Morgan Grenfell Intl Fd Mgrs

Murray, Johnstone (Inv. Adviser)

NM Schroder Financial Mgmt Intl Ltd

Nikko Luxembourg S.A.

Nomura Asia Europe Fund

Norway Fund Management A/S

Oppenheimer Management Assets Co

PFC International Portfolio Fd Mgmt Ltd

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

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INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

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AMERICANS

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Perpetual Bond Fund SA

Prudential Intl Financial Services

Putnam International Advisors Ltd

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Schroder Asia Ltd

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The Thailand Growth Fund (1000)F

The Thailand Intl Fund Ltd

Three-Way Asset Allocation Funds

Top Brand Fund Intl-SICAV

Tyndall International (Bermuda) Ltd

US Federal Securities Fund SA

Warburg Investment Management Jersey Ltd

Wardley Investment Services Intl

World Natural Resources

Yamaichi Capital Management

Money Market Trust Funds

Charities Aid Funds Money Market Fund

The Charities Deposit Fund

Gartmore Money Management Ltd

Money Market Bank Accounts

AAB–Allied Arab Bank Ltd

Aitken Hume

Bank of Ireland High Interest Cheque Acc

Bank of Scotland

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Charterhouse Bank Limited

Citibank Savings

Clydesdale Bank PLC

Co-operative Bank Tax Tier

Darlington & Co Ltd

Financial & General Bank plc

Gartmore Money Management Ltd

Girobank plc High Interest Cheque Acc

Hambros Bank Ltd

Lloyds Bank High Interest Cheque Account

M & G/Kleinwort Benson

Midland Bank plc

M.I.M. Britannia Ltd

NatWest Special Reserve Account

Provincial Bank PLC

Royal Bank of Scotland plc Premium Acc

Save & Prosper/Robert Fleming

Tyndall & Co

J. Henry Schroder Wagg & Co Ltd

Western Trust High Interest Cheque Acc

Wimbledon & South West Finance Co Ltd

UNIT TRUST NOTES

LONDON SHARE SERVICE

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AMERICANS—Contd

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
154p	44p	♦Unilab	147p	.....	–	–	–
24¾	17⅝	Utd. Technologies	23⅞	–⅛	$1.60	–	3.8
163p	27p	♦Utilitech Inc.	156p	.....	–	–	–
34⅝	26¼	US West‖	32⅝	+⅛	$3.52	–	5.9
24⅞	16⅞	Waste Management $1	23½	+⅛	48c	–	1.1
16⅞	12⅞	Whirlpool $1	14⅝	+⅛	$1.10	–	4.2
20⅝	15⅞	Whitman Corp.	19⅞xd	.....	96c	–	2.8
33½	18¼	♦Woolworth $3½	29⅞	+¼	$1.64	–	3.0

CANADIANS

1988/89 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	138p	♦ABM Gold Corp ‖	141p	–11	–	–	–
32p	7p	♦Abbot Energy Corp.	7p	.....	–	–	–
14¼	882p	♦Amer. Barrick Res.	943p	+18	–	–	–
10p	2½p	♦Amer. Lightwave ‖	3p	.....	–	–	–
47p	7½p	♦Armeno	12½p	–¼	–	–	–
76p	24p	♦Augmitco Explo.	33p	+1	–	–	–
14¼	10⅝	Bk. Montreal ‖	13¼	.....	$2.00	–	6.9
769p	514p	Bk. Nova Scot.‖	671p	+10	76c	–	5.2
18¼	15¼	BCE ‖	17½xd	.....	$2.44	–	6.3
716p	527p	♦Bow Valley‖	659p	+4	♦40c	–	2.8
13⅝	10½	♦Brascan‖	13⅛	+⅛	88c	–	2.9
328p	17p	♦Breakwater Res.	184p	–1	10c	–	2.5
12¼	801p	Can. Imp Bank‖	11⅞	.....	$1.16	–	4.6
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS — Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.)—Contd

[illegible]

INDUSTRIALS (Miscel.)—Contd.

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

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[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

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SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

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TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

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OIL AND GAS

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OIL AND GAS—Contd

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OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

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MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

[illegible] special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xl ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p ¥	67	......
Craig & Rose £1 ¥	710	......
Finlay Pkg. 5p ¥	86	......
Holt (Jos) 25p ¥	1210	......

IRISH

Cap. 8½% Ln. 1991	£99⅝	......
9pc Cap Ln. 1996	£100¾	......
Fin. 13% 97/02	£124½	......
Arnotts	385	......
Carrol (P.J.) ¥	142	−2
Grafton Grp. ¥	145	......
Hall (R. & H.)	152	......
Helton Hldgs. ¥	61	......
Irish Ropes	165	−5

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	48
Blue Circle	39
Boots	20
Bowaters	38
Brit. Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons.	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met.	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	30
Legal & Gen.	26
Lex Service	34
Lloyds Bank	29
Lucas Inds.	48
Marks & Spencer	15
Midland Bk.	35
Morgan Grenfell	28
NEI	12
Nat West Bk.	45
P & O Dfd.	48
Plessey	15
Polly Peck	28
Racal Elect.	25
RHM	32
Rank Org Ord.	63
Reed Intnl.	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property

Brit Land	38
Land Securities	52
MEPC	50
Peachey	54

Oils

Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	21

Mines

Cons Gold	100
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar maintains firmer trend

THE DOLLAR broke through resistance levels against the D-Mark yesterday despite further intervention by central banks. The firmer tone developed towards the end of trading in Europe, with Bundesbank sales of $40m at the Frankfurt fixing perceived as more of a smoothing operation rather than an attempt to halt the dollar's rise.

Early trading in London saw the US unit improve from a weaker start, gaining strength from high US interest rates and an unchanged fixed rate of 5 p.c. at the Bundesbank's latest sale and repurchase tender. The dollar edged up during the morning to touch DM1.8270 - the level which attracted central bank intervention on Monday - before easing back to around DM1.8250.

However, renewed buying after the start of business in New York pushed the US unit through DM1.83 and prompted the US Federal Reserve to intervene at around DM1.8315. Once again, the scale of intervention involved relatively modest amounts.

Underlying dollar sentiment has been boosted by comments from Mr Wayne Angell, a US Federal Reserve Board governor, suggesting that the Fed may tolerate a firmer dollar as the US authorities use higher interest rates to control economic growth and inflation.

The dollar rose to DM1.8360, its best level for three months, and up from DM1.8280 on Monday. It was also firmer against the Swiss franc at SFr1.5645 from SFr1.5570, and FFr6.2550 compared with FFr6.2300. On Bank of England figures, the dollar's exchange rate index was unchanged at 66.5.

The Japanese yen moved against the trend, improving against the dollar, and rising to record levels against the D-Mark. The latter fell below a key support level at Y69.00 to finish at Y68.79, down from Y69.17 on Monday. The strength of the yen took investors by surprise. Many had expected a period of consolidation after the death of Emperor Hirohito, but the yen's underlying strength encouraged renewed buying. The dollar slipped to Y126.30 from Y126.45.

Sterling remained on the sidelines but moved up in line with a stronger dollar. It was barely changed against the US unit at $1.7640 from $1.7635, but improved against the D-Mark to equal its best closing level since last August, finishing at DM3.2375 compared with DM3.2225 on Monday.

It was weaker against the yen at Y222.75 from Y223.00, but rose elsewhere to SFr2.7600 from SFr2.7450, and FFr11.0325 from FFr10.9875. On Bank of England figures, the pound's exchange rate index was 97.2 unchanged from Monday's close.

Sterling faces stiff resistance at DM3.2400, but the current yield advantage enjoyed by holding sterling denominated paper may be enough to encourage investors to test this level.

The French franc benefitted from the D-Mark's softer tone, the latter falling to FFr3.4070 from FFr3.4080. However, some traders remain cautious. The D-Mark remains supported by strong economic factors, and it is only the current strength of the dollar which is easing pressure on the franc and other weak members of the European Monetary System.

£ IN NEW YORK

Jan.10	Latest	Previous Close
£ Spot	1.7685-1.7695	1.7735-1.7745
1 month	0.58-0.57pm	0.61-0.59pm
3 months	1.58-1.56pm	1.59-1.56pm
12 months	4.67-4.57pm	4.72-4.62pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Jan.10	Previous
8.30 am	97.3	97.3
9.00 am	97.2	97.3
10.00 am	97.2	97.3
11.00 am	97.2	97.1
Noon	97.2	97.1
1.00 pm	97.2	97.0
2.00 pm	97.2	97.0
3.00 pm	97.2	97.2
4.00 pm	97.2	97.2

CURRENCY RATES

Jan.10	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.750986	0.644793
U.S Dollar	6.50	1.32474	1.14032
Canadian $	11.20	1.58545	1.36724
Austrian Sch.	4	17.0322	14.6417
Belgian Franc	7.75	50.8700	43.6228
Danish Krone	7½	9.35266	8.04208
Deutsche Mark	3½	2.42533	2.08222
Neth.Guilder	4.5	2.73956	2.35088
French Franc	9½	8.27830	7.09733
Italian Lira	12½	1782.82	1526.31
Japanese Yen	2½	166.917	143.566
Norway Krone	8	8.83999	7.59394
Spanish Peseta	-	151.982	130.452
Swedish Krona	8½	8.28625	7.12356
Swiss Franc	3.5	2.06659	1.77889
Greek Drach.	20½	NA	172.986
Irish Punt	-	NA	0.778054

*All SDR rates are for Jan.9

CURRENCY MOVEMENTS

Jan.10	Bank of England Index	Morgan** Guaranty Changes %
Sterling	97.2	-14.9
U.S Dollar	66.5	-11.9
Canadian Dollar	101.0	-1.5
Austrian Schilling	106.6	+9.7
Belgian Franc	105.8	-6.1
Danish Krone	103.9	-0.9
Deutsche Mark	112.7	+20.5
Swiss Franc	108.1	+17.9
Guilder	110.0	+13.0
French Franc	98.7	-15.9
Lira	97.7	-20.0
Yen	152.2	+84.9

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100)**Rates are for Jan.9.

OTHER CURRENCIES

Jan.10	£	$
Argentina	29.3400 - 29.5000	16.6000 - 16.6800
Australia	2.0325 - 2.0350	1.1525 - 1.1535
Brazil	1441.95 - 1450.00	816.30 - 820.35
Finland	7.4875 - 7.5005	4.2360 - 4.2380
Greece	266.25 - 271.75	150.15 - 152.90
Hong Kong	13.7970 - 13.8100	7.8055 - 7.8075
Iran	122.75*	69.00*
Korea(Sth)	1209.95 - 1219.65	681.20 - 686.80
Kuwait	0.50060 - 0.50110	0.28340 - 0.28350
Luxembourg	67.70 - 67.80	38.35 - 38.45
Malaysia	4.8180 - 4.8295	2.7250 - 2.7280
Mexico	4034.50 - 4051.10	2284.00 - 2292.00
N. Zealand	2.7835 - 2.7910	1.5785 - 1.5825
Saudi Ar.	6.6230 - 6.6285	3.7495 - 3.7505
Singapore	3.4270 - 3.4325	1.9395 - 1.9415
S. Af (Cm)	4.1745 - 4.1905	2.3730 - 2.3760
S. Af (Fn)	6.9845 - 7.1255	3.9605 - 4.0405
Taiwan	49.40 - 49.65	27.80 - 27.90
U.A.E.	6.4870 - 6.4930	3.6725 - 3.6735

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Jan 10	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.6228	+2.74	+0.93	±1.5344
Danish Krone	7.85212	8.04208	+2.42	+0.61	±1.6404
German D-Mark	2.05853	2.08222	+1.15	-0.66	±1.0981
French Franc	6.90403	7.09733	+2.80	+0.99	±1.3674
Dutch Guilder	2.31943	2.35088	+1.36	-0.45	±1.5012
Irish Punt	0.768411	0.778054	+1.25	-0.56	±1.6684
Italian Lira	1483.58	1526.31	+2.88	+1.07	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jan.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US, Canada, Netherlands, Belgium, Denmark, Ireland, W. Germany, Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 67.80-67.90. Six-month forward dollar 2.87-2.82pm 12 month 4.72-4.62pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jan.10	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†, Ireland†, Canada, Netherlands, Belgium, Denmark, W. Germany, Portugal, Spain, Italy, Norway, France, Sweden, Japan, Austria, Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.40-38.50.

EURO-CURRENCY INTEREST RATES

Jan.10	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling, US Dollar, Can. Dollar, D. Guilder, Sw. Franc, Deutschmark, Fr. Franc, Italian Lire, B. Fr. (Fin), B. Fr. (Con.), Yen, D. Krone, Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 10-9⅞ per cent; three years 10-9⅞ per cent; four years 10⅛-9⅞ per cent; five years 10⅛-9⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Jan.10	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£ / $ / DM / YEN / F Fr. / S Fr. / H Fl. / Lira / C $ / B Fr.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Sterling & dollar contracts up

THERE WAS a hint of nervousness in London's financial markets, at the visit of Mr Nigel Lawson, the Chancellor, to Washington yesterday.

Dealers were left to wonder why Mr Lawson found it necessary to make such a short visit to the US, since he is chairing a meeting of NEDO in London this morning.

Monday's UK economic data were considered reasonably encouraging. In the absence of major economic news in the near future dealers suggested that sterling interest rate futures appear to be technically strong.

March long gilt futures showed an upward trend on Liffe, rising to 95-17 from 95-09, amid improving sentiment, and speculation that the contract could reach 96.00.

Short sterling futures held above a technical resistance point of 87.10. Trading was reasonably active but the March contract remained in a narrow trading range of 87.11 to 87.19, before closing at 87.12, compared with 87.09 on Monday.

US Treasury bond futures were also firm, boosted by short covering and the strength of the dollar.

LIFFE LONG GILT FUTURES OPTIONS; LIFFE US TREASURY BOND FUTURES OPTIONS; LIFFE FT-SE INDEX FUTURES OPTIONS; LIFFE £/$ OPTIONS; LIFFE EURODOLLAR OPTIONS; LIFFE SHORT STERLING; PHILADELPHIA SE £/$ OPTIONS; LONDON SE £/$ OPTIONS

Strike price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT; 7-10 YEAR 9% NOTIONAL GILT; 6% NOTIONAL LONG TERM JAPANESE GOVT. BOND; THREE MONTH STERLING; US TREASURY BONDS 8%; 6% NOTIONAL GERMAN GOVT. BOND; POUND-$ (FOREIGN EXCHANGE); DMK-STERLING; FT-SE 100 INDEX; THREE MONTH EURODOLLAR

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

U.S. TREASURY BONDS (CBT) 8%; JAPANESE YEN (IMM); DEUTSCHE MARK (IMM); U.S. TREASURY BILLS (IMM); THREE-MONTH EURODOLLAR (IMM); SWISS FRANC (IMM); STANDARD & POORS 500 INDEX

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series	Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Aug. 89 Vol	Aug. 89 Last	Stock
GOLD C / GOLD P; EOE Index C / EOE Index P; $/FL C / $/FL P; ABN, AEGON, AHOLD, AKZO, AMEV, AMRO, BUHRMANN-T, ELSEVIER, GIST-BROC, HEINEKEN, HOOGOVENS, KLM, KNP, NAT.NED., NEDLLOYD, PHILIPS, ROYAL DUTCH, ROBECO, UNILEVER, VAN OMMEREN, WESSANEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ROYAL DUTCH P	Fl. 240	5	5	556	8.30	30	13.50 B
ROBECO C	Fl. 95	151	5.10	-	-	-	-
UNILEVER C	Fl. 120	705	1.50	274	6.50	97	7.80 A
UNILEVER P	Fl. 120	292	1.40	124	4.50 B	63	7
VAN OMMEREN C	Fl. 40	-	-	297	1	45	1.50
WESSANEN C	Fl. 90	30	0.10	-	-	-	-

TOTAL VOLUME IN CONTRACTS : 63,163

A=Ask B=Bid C=Call P=Put

MONEY MARKETS

London rates ease

INTEREST RATES had a slightly easier tone in London yesterday, on a money market lacking fresh factors. Three-month interbank fell to 13 7/16-13 5/16 p.c. from 13½-13⅜ p.c.

The Bank of England initially forecast a money market credit shortage of £700m, but revised this to £650m in the afternoon. Total help of £637m was provided.

Before lunch the authorities bought £129m bills outright, by way of £105m bank bills in band 1 at 12⅞ p.c.; £4m bank bills in band 2 at 12 13/16 p.c.; £5m bank bills in band 3 at 12¾ p.c.; and £15m bank bills in band 4 at 12¾ p.c.

In the afternoon the Bank of England purchased another £508m bills, including £456m outright, through £137m Treasury bills in band 1 at 12⅞ p.c.; £308m bank bills in band 1 at 12⅞ p.c.; £34m bank bills in band 2 at 12 13/16 p.c.; £63m bank bills in band 3 at 12¾ p.c.; and £14m bank bills in band 4 at 12¾ p.c.

A further £52m bills were bought, for resale to the market on January 23, at a rate of 12 13/16 p.c.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £508m, with the unwinding of repurchase agreements absorbing £74m; Exchequer transactions £45m; and bank balances below target £220m. These outweighed a fall in the note circulation adding £165m to liquidity.

In New York the Federal Reserve added temporary reserves to the banking system, via $1bn of customer repurchase agreements, when Federal funds were trading at 9⅛ p.c.

In Frankfurt call money eased to 5.25 p.c. from 5.30 p.c., on news the Bundesbank had offered a securities repurchase agreement tender, at a fixed rate of 5.00 p.c.

This was regarded as a signal that the central bank is not trying to push rates higher at present. An offer of a tender, without a fixed rate would have been seen as an indication that the Bundesbank was tightening its monetary stance.

A further indication of the central bank's policy is likely to be provided by the allocation at the tender, as an earlier agreement of DM13.5bn expires, and dealers wait to see if this is fully replaced.

In Paris the Bank of France left its key intervention rate unchanged at 7¾ p.c. when injecting funds into the domestic money market at yesterday's securities repurchase agreement tender.

UK clearing bank base lending rate 13 per cent from November 25

FT LONDON INTERBANK FIXING

(11.00 a.m. Jan.10) 3 months US dollars		6 months US Dollars	
bid 9¾	offer 9⅞	bid 9¾	offer 9⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	10½	One month	7.75
Broker loan rate	10¼	Two month	8.20
Fed funds	9⅛	Three month	8.33
Fed.funds at intervention	9⅛	Six month	8.44
		One year	8.97
		Two year	9.26
		Three year	9.32
		Four year	9.32
		Five year	9.29
		Seven year	9.30
		10-year	9.22
		30-year	9.04

Jan.10	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	5.15-5.25	5.35-5.50	5.35-5.50	[illegible]	[illegible]	5.50
Paris	8¼-8⅜	8¼-8½	8⅞-8⅞	[illegible]	[illegible]	7.25
Zurich	4½-4⅝	5⅛-5⅜	-	[illegible]	[illegible]	-
Amsterdam	5.75-5.87	5.80-5.90	-	[illegible]	[illegible]	-
Tokyo	3.71875	4.21875	-	[illegible]	[illegible]	-
Milan	11⅛-11¼	11½-12	-	[illegible]	[illegible]	-
Brussels	5.95	7¼-7⅜	-	[illegible]	[illegible]	-
Dublin	7¼-7½	7⅝-7⅞	7¾-8⅛	[illegible]	[illegible]	-

LONDON MONEY RATES

Jan.10	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	13¼	13⅛	[illegible]	[illegible]	12⅞
Interbank Bid	13	12⅞	13	[illegible]	[illegible]	12 13/16
Sterling CDs	-	-	13 1/16	[illegible]	[illegible]	12 13/16
Local Authority Deps.	13	12⅞	13	[illegible]	[illegible]	12 13/16
Local Authority Bonds	-	-	-	[illegible]	[illegible]	-
Discount Mkt Deps.	13	12 13/16	12¾	[illegible]	[illegible]	-
Company Deposits	-	-	13⅛	[illegible]	[illegible]	12⅞
Finance House Deposits	-	-	13⅛	[illegible]	[illegible]	12⅞
Treasury Bills (Buy)	-	-	12 13/16	[illegible]	[illegible]	-
Bank Bills (Buy)	-	-	12¾	[illegible]	[illegible]	-
Fine Trade Bills (Buy)	-	-	13⅛	[illegible]	[illegible]	-
Dollar CDs	-	-	9.15-9.10	[illegible]	[illegible]	9.75-9.70
SDR Linked Dep Offer	-	-	7 11/16	[illegible]	[illegible]	8⅛
SDR Linked Dep Bid	-	-	7 9/16	[illegible]	[illegible]	7 15/16
ECU Linked Dep Offer	-	-	7 13/16	[illegible]	[illegible]	8⅜
ECU Linked Dep Bid	-	-	7 11/16	[illegible]	[illegible]	8¼

Treasury Bills (sell): one-month 12 13/16 per cent; three months 12¾ per cent; Bank Bills (sell): one-month 12 11/16 per cent; three months 12⅝ per cent; Treasury Bills: Average tender rate of discount 12.5512 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day December 30, 1988. Agreed rates for period January 25, 1989 to February 25, 1989, Scheme I: 13.97 p.c., Schemes II & III: 14.37 p.c. Reference rate for period December 1 to December 30, 1988, Scheme IV&V: 13.173 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 13 from January 1, 1989: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988, Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	Nat Westminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm. Bk. N. East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Credit & Comm	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank of Cyprus	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Ireland	13	Girobank	13	Unity Trust Bank Plc	13
Bank of India	13	● Guinness Mahon	13	Western Trust	13
Bank of Scotland	13	HFC Bank plc	13	Westpac Bank Corp.	13
Banque Belge Ltd	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Barclays Bank	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Benchmark Bank PLC	13	● Hill Samuel	§13		
Berliner Bank AG	13	C. Hoare & Co.	13		
Brit. Bk of Mid East	13	Hongkong & Shangh	13		
● Brown Shipley	13	● Leopold Joseph & Sons	13		
Business Mtge Tst	13½	Lloyds Bank	13		
CL Bank Nederland	13	Meghraj Bank Ltd	13		
Central Capital	13	McDonnell Douglas Bnk	13		
● Charterhouse Bank	13	Midland Bank	13		
Citibank NA	13	Mortgage Express Ltd.	§13.95		
		Mount Bnkg Corp.	13		
		Nat. Bk. of Kuwait	13		

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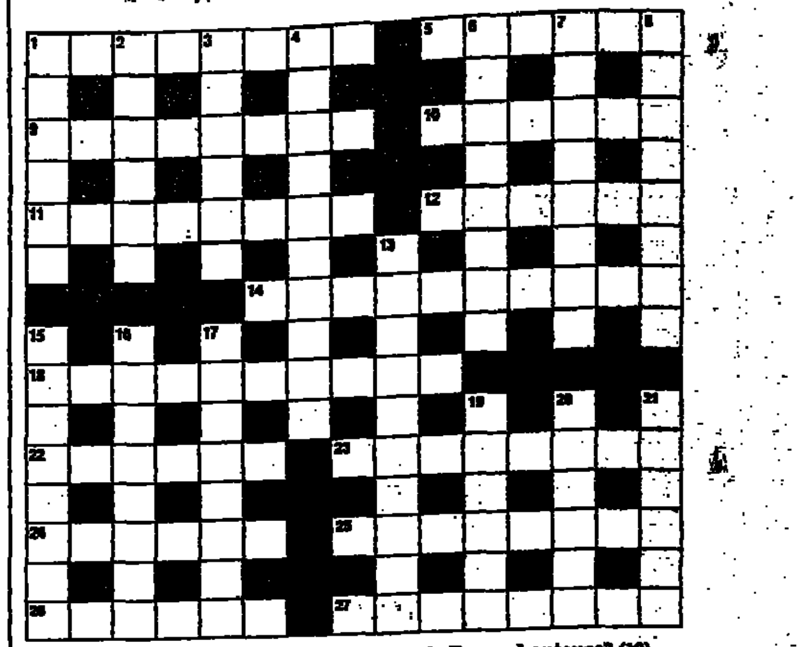
CROSSWORD

No.6,831 Set by HIGHLANDER



ACROSS
1 Title given by condition of being tall (5)
5 Women wear this to dance (6)
9 Is familiar with said strip: it's part of bridle (8)
10 Ceremonious style in which university is revealing sculpture (6)
11 Optical instrument with which to study barometer (8)
12 Architectural group put no date on award for achievement (6)
14 No British concoction contains cold and respiratory infection (10)
18 Saying it's earlier mate, and very urgent (10)
22 I hear grass cutter produces frozen spike (6)
23 Fighting man takes instruction – nothing else (8)
24 Make effort to grab bridge partners at back of throat (6)
25 System of measurement similar to Nero's Rule (8)
26 Assistance in connection with change of life (6)
27 Notice at this point National Trust supporter (8)

DOWN
1 Delay: put further back (6)
2 Try to relieve temporarily, not completely; that's the truth (8)
3 I refuse to dance with extra (2-4)
4 Air Force chanteuse? (10)
6 Not working correctly without restrictions (8)
7 Tree can't adapt to theatrical interlude (8)
8 Does chaos remaining on top provide too much to take? (8)
13 In the dark, militarily attired, admitting naval leader (10)
15 Press and television nonsense upset referee (8)
16 Work it round variable loan, by choice (8)
17 Fell awkwardly inside; let out in perpetual torment (8)
19 "Morning, father" (in France it carries a charge) (6)
20 Eventually seen in back issue (2,4)
21 Two biblical characters sold as mixed bag (3,3)

Solution to Puzzle No.6,830

JOTTER PAD

COMPANY NOTICES

PERSONAL

LEGAL NOTICE

RESIDENTIAL PROPERTY

هكذا صدر الأصل

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

FRANCE (continued)

GERMANY

GERMANY (continued)

ITALY

ITALY (continued)

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

JAPAN

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. (u) Unavailable. ø Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

CANADA

TORONTO

2pm prices January 10

Quotations in cents unless marked $.

‡ – No voting rights or restricted voting rights.

INDICES

NEW YORK — DOW JONES

	Jan 9	Jan 6	Jan 5	Jan 4	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
♦Industrials	2199.46	2194.29	2190.54	2177.68	2199.46 (9/1/89)	1879.14 (20/1/88)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.35	88.40	88.35	88.42	[illegible]	[illegible]	[illegible]	[illegible]
Transport	986.38	984.44	978.11	978.76	[illegible]	[illegible]	[illegible]	12.32 (8/7/32)
Utilities	187.23	186.40	186.34	186.76	190.02 (29/1/88)	167.26 (20/4/88)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2209.11 (2213.75) Low 2185.00 (2182.32)

STANDARD AND POOR'S	Jan 9	Jan 6	Jan 5	Jan 4	1988/89 High	1988/89 Low	Since compilation High	Since compilation Low
Composite ‡	280.98	280.67	280.01	279.43	282.88 (20/10/88)	242.63 (20/1/88)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	326.07	326.74	324.41	323.44	327.53 (24/10/88)	277.86 (20/1/88)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	25.08	24.93	24.81	24.77	26.42 (20/10/88)	21.51 (8/1/88)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	158.15	157.96	157.49	157.06	159.01 (20/10/88)	136.72 (20/1/88)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	313.54	311.40	309.42	307.77	313.54 (9/1/89)	262.76 (12/1/88)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	385.28	384.76	383.79	382.76	394.77 (18/7/88)	331.97 (12/1/88)	455.28 (26/8/87)	54.87 (31/10/72)

	Jan 6	Dec 30	Dec 23	year ago (approx.)
Dow Industrial Div. Yield	3.66	3.70	3.70	3.62

	Jan 5	Dec 28	Dec 21	year ago (approx.)
S & P Industrial div. yield	3.17	3.20	3.19	3.31
S & P Indl. P/E ratio	12.97	12.86	12.86	16.39

TRADING ACTIVITY † Volume

Millions	Jan 9	Jan 6	Jan 5
New York	163.180	162.668	175.937
Amex	9.021	9.546	9.970
OTC	109.928	123.650	135.043

NEW YORK	Jan 9	Jan 6	Jan 5
Issues Traded	1,966	1,957	1,957
Rises	868	971	821
Falls	617	509	604
Unchanged	481	477	512
New Highs	61	48	53
New Lows	13	7	9

CANADA

TORONTO	Jan 9	Jan 6	Jan 5	Jan 4	1988/89 High	1988/89 Low
Metals & Minerals	3346.7	3350.5	3338.6	3297.5	3350.5 (6/1/89)	2238.7 (8/2/88)
Composite	3445.1	3419.2	3409.0	3381.7	3445.1 (5/7/88)	2977.9 (8/2/88)
MONTREAL Portfolio	1740.60	1718.83	1711.25	1693.89	1723.71 (5/7/88)	1305.06 (27/1/88)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day		Stocks traded	Closing price	Change on day
RJR Nabisco	3,456,900	94¼	+ ⅛	General Electric	1,717,000	44⅝	—
Savin Bus	2,835,000	⅜	− ⅛	Eastman Kodak	1,706,800	44½	− ⅜
Phillips Pet	2,210,500	20⅝	− ⅛	Polaroid	1,537,500	36⅝	− 1⅜
Nova Corp	2,107,900	10⅝	+ ⅛	Baxter Intl	1,533,600	17⅝	− ⅛
P SVG Col (ad)	1,981,000	20⅝	− ⅛	Navistar	1,494,600	5⅝	− ⅛

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jan. 10	Jan. 9	Jan. 6	Jan. 5	1988/89 High	1988/89 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1501.8	1489.3	1478.3	1473.7	1657.8 (9/8/88)	1170.7 (10/2/88)
All Mining (1/1/80)	678.4	677.1	675.1	671.3	847.8 (9/8/88)	532.4 (10/2/88)
AUSTRIA						
Credit Aktien (30/12/84)	223.80	224.10	(c)	223.26	225.48 (4/11/88)	163.98 (11/2/88)
BELGIUM						
Brussels SE (1/1/80)	5616.10	5593.70	5561.66	5525.10	5616.10 (10/1/89)	3608.35 (4/1/88)
DENMARK						
Copenhagen SE (3/1/83)	283.10	282.98	283.07	285.32	285.32 (5/1/89)	180.68 (4/1/88)
FINLAND						
Unitas General (1975)	729.5	727.5	727.9	725.0	772.1 (8/8/88)	530.6 (15/1/88)
FRANCE						
CAC General (31/12/82)	436.4	438.0	433.5	426.3	438.0 (9/1/89)	251.3 (29/1/88)
Ind. Tendance (30/12/88)	(u)	104.3	104.1	102.4	104.3 (9/1/89)	100.0 (1/1/89)
GERMANY						
FAZ Aktien (31/12/58)	560.95	566.58	562.35	567.51	567.51 (5/1/89)	396.40 (29/1/88)
Commerzbank (1/12/53)	1683.3	1702.0	1689.8	1705.6	1705.6 (5/1/89)	1207.9 (29/1/88)
DAX (30/12/87)	1345.91	1366.55	1359.98	1371.10	1371.10 (5/1/89)	951.18 (28/1/88)
HONG KONG						
Hang Seng Bank (31/7/64)	2832.38	2792.27	2766.65	2758.54	2832.38 (10/1/89)	2223.56 (8/2/88)
ITALY						
Banca Com. Ital. (1972)	600.37	599.02	(c)	598.78	600.37 (10/1/89)	423.91 (9/2/88)
JAPAN**						
Nikkei (16/5/49)	31006.51	30678.39	30209.54	30183.7	31006.51 (10/1/89)	21217.04 (4/1/88)
Tokyo SE (Topix) (4/1/68)	2427.75	2401.81	2366.91	2368.09	2427.75 (10/1/89)	1690.44 (4/1/88)
NETHERLANDS						
ANP-CBS General (1970)	293.0	294.5	292.8	293.8	294.5 (9/1/89)	205.7 (4/1/88)
ANP-CBS Industrial (1970)	255.8	257.7	256.8	258.3	258.3 (5/1/89)	157.9 (11/1/88)
NORWAY						
Oslo SE (4/1/83)	501.46	492.48	488.39	486.8	501.46 (10/1/89)	327.78 (28/1/88)
SINGAPORE						
Straits Times Ind. (30/12/66)	1083.50	1072.99	1043.34	1034.13	1177.87 (8/8/88)	833.60 (4/1/88)
SOUTH AFRICA						
JSE Gold (28/9/78)	1325.0§	1303.0	1300.0	1301.0	1452.0 (7/7/88)	1154.0 (4/5/88)
JSE Industrial (28/9/78)	2046.0§	2032.0	2009.0	1994.0	2046.0 (10/1/89)	1387.0 (12/2/88)
SPAIN						
Madrid SE (30/12/85)	274.35	274.32	(c)	273.44	301.63 (15/6/88)	225.50 (4/1/88)
SWEDEN						
Jacobson & P. (31/12/56)	3488.5	3453.1	(c)	3388.7	3488.5 (10/1/89)	2148.5 (4/1/88)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	620.2	622.3	618.4	618.1	622.3 (9/1/89)	466.6 (13/1/88)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	498.3	494.6	496.5	498.3 (9/1/89)	401.0 (21/1/88)

**Saturday Jan. 7: Japan Nikkei (c) TSE (c) § Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO – Most Active Stocks

Tuesday 10 January 1989

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Mitsubishi Heavy Ind	100.6m	1,110	−10	Toray	37.2m	940	+23
Mitsubishi Elec-tric Co	88.9m	1,100	+20	Osaka Gas	36.2m	887	+10
Kawasaki Heavy Ind	61.4m	992	+26	Mitsubishi	29.8m	1,460	+60
Cosmo Oil	39.1m	1,250	+50	Nippon Steel	28.9m	808	+4
				Fujita	28.8m	1,010	+10

3pm prices January 10

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	18⅝	AAR	.44	1.8	17	133	24½	24¼	24⅜	+ ⅛
10½	8⅞	ACM n	1.01	11.		88	9¼	9	9	– ⅛
12⅛	10¼	ACMIn	1.26a	12.		311	10⅞	10¾	10¾	
10⅛	8½	ACM M	n.17e	1.9		145	9	8⅞	9	
12⅛	10⅛	ACMSc	n1.26	12.		830	10⅜	10⅝	10⅜	
10⅛	8½	ACMSp	n1.01a	11.		238	9⅛	9	9	
5¼	2⅝	AMCA	.12e	3.8		35	3¼	3⅛	3⅛	– ⅛
6⅛	3⅛	AM Intl				652	5⅛	5	5	– ⅛
23¼	18⅛	AM Int pf	2	9.1		5	22	22	22	– ¼
55	32⅝	AMR			9	2837	53¼	52⅛	52⅛	– ⅞
24⅜	20⅞	ANR pf	2.12	8.8		1	24	24	24	
9½	5⅛	ARX			10	151	6⅛	6	6	– ⅛
50¼	35¼	ASA	3a	7.7		100	39⅜	38½	39⅛	+ ¼
20¼	12¼	AVX	.24	1.3	13	126	18⅞	18½	18½	– ⅜
52⅜	42⅞	AbtLab	1.20	2.6	15	3671	46¾	46⅜	46⅜	– ⅛
20¼	15⅝	AbitiBl g	1			96	16⅛	16	16⅛	– ⅛
13⅞	7½	AcmeC	.40	4.2		202	9⅞	9½	9½	– ½
8⅞	5⅞	AcmeE	.32b	5.0	38	15	6⅜	6¼	6⅜	+ ⅛
29½	15¼	Acuson			23	494	24⅞	24½	24½	– ⅜
17	14½	AdaEx	1.82e	12.		89	14¾	14⅝	14¾	
16⅞	7⅛	AMD			17	2440	9¼	9	9⅛	
43½	28¾	AMD pf	3	9.4		187	32⅛	31⅞	31⅞	– ⅛
8½	5½	Adobe				294	6¼	6⅜	6⅜	– ¼
18½	16¼	Adob pf	1.84	11.		15	17⅛	17⅛	17⅛	– ⅛
21¾	20	Adob pf	2.40	12.		23	20½	20¼	20¼	– ⅛
9¼	6⅞	Advest	.12	1.6	24	80	7⅝	7½	7⅝	+ ⅛
52½	39⅛	AetnLf	2.76	5.8	8	3623	47⅝	46⅞	47⅜	– ⅛
37⅞	24	AfilPb s	.22	.6		309	34⅞	34⅜	34⅞	+ ½
18⅝	13¼	Ahmans	.88	5.2	10	2784	17⅛	16⅞	17	– ⅛
4⅜	1⅞	Aileen			21	13	3½	3½	3½	– ⅛
53⅜	36½	AirPrd	1.20	2.7	11	822	44	43¾	43⅞	– ⅛
23⅝	12⅞	AirbFrt	.60	2.7	22	131	23	22⅝	22⅝	
[illegible]										

Continued on Page 43

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
124¼	104⅝	RoylD	7.24e	6.4	7	1053	114⅝	113¾	113¾	− ⅝
13½	8¾	Roylnt	.10e	1.5	12	233	11	10¾	10¾	− ¼
8⅝	6⅜	Royce	.51e	5.9		78	8⅝	8½	8⅝	+ ⅛
27	21	Rubmd	.44	1.8	19	361	25⅛	25	25⅛	
28⅛	17⅝	RussBr	.40	2.1	8	45	19⅛	19	19⅛	
18⅝	12	RussTg	.60	4.8	20	24	12⅝	12⅝	12⅝	− ⅛
17¼	11⅛	Russell	.24	1.5	13	124	16½	16¼	16½	+ ⅛
32½	22⅝	Ryder	.60	2.1	18	2000	28⅞	28½	28⅝	− ¼
32⅛	21⅝	Rykoff	.75	2.4	16	115	31⅞	31⅝	31⅝	− ⅜
20⅝	13⅛	Ryland	.60	3.0	8	1085	20½	20	20⅛	− ⅛
13½	8⅛	Rymer				55	10⅛	10	10⅛	
10	7⅝	Rymer pf	1.17	13.		72	9⅛	9	9⅛	+ ⅛
		− S − S − S −								
34½	29⅛	SCEcp	2.48	7.8	9	2169	32⅞	32⅝	32⅝	− ⅛
9½	6½	SCOR U	.10e	1.1	6	170	9	9	9	− ⅛
45⅝	27⅝	SPSTec	1.20	2.7	30	45	44½	44¼	44¼	− ⅛
44⅝	30	SPX Cp	1.20	3.0	15	384	40¼	39¾	39¾	− ⅛
31⅝	18⅛	SSMC			79	160	28⅞	28⅝	28⅝	+ ⅛
25	17	Saatchi	1.04e	5.8	7	368	18¼	18½	18½	− ⅛
13⅝	11¼	SabnR	1.38e	11.	9	x6	12⅝	12½	12⅝	+ ⅛
17⅝	13⅛	SfgdSc			8	10	17⅛	17	17⅛	+ ⅛
33½	21¾	SafKln	.30	1.2	22	549	25⅞	25⅛	25⅝	− ⅜
9¼	7⅝	SahCas	1.12	13.		35	8⅝	8⅝	8⅝	
24½	19¾	StJoLP	1.40	7.0	9	6	20¼	20⅛	20½	− ⅛
19⅝	7⅝	Salant				25	19⅛	19	19	− ⅛
86½	70	SallieM	.80	.9	17	617	85½	84⅝	84⅞	
28⅞	18⅝	Salomn	.64	2.4	18	2636	27	26⅝	26⅞	− ⅛
39½	30¼	SDieGs	2.60	6.9	12	586	37⅞	37⅝	37⅝	− ⅛
8⅝	6⅛	SJuanB	.30e	3.9	19	252	7⅞	7¾	7⅞	
14¼	9¾	SJuanR	2.25c		12	1	12⅞	12¾	12⅞	

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
30	13½	ZenlthE				584	18⅞	18⅝	18¾	− ¼
10⅞	8⅞	Zenin n	.59e	6.6		542	9⅛	9	9	
3¼	1	vjZenLb				82	1⅞	1⅝	1⅝	
21⅝	14½	ZenNtl	.80b	4.6	8	62	17¾	17½	17½	− ¼
18½	13	Zero	.44	2.4	15	72	18⅛	17¾	18	
29	18⅞	Zurnin	.68	2.5	16	48	27⅝	27	27¼	− ⅜
11¼	8⅞	Zweig	1.05e	10.		162	10⅛	10⅛	10⅛	− ⅛
10⅛	9	ZweigT n	.15e	1.7		755	9⅛	9⅛	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices January 10

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Prem			1	3⅛	3⅛	3⅛	− ⅛
ProMed	.42		10	3⅞	3¾	3¾	
ProfCre		8	15	2⅞	2¼	2¼	
		− R − R −					
RAC n	1.23e		1585	8	d 7	7⅛	− ⅝

OVER-THE-COUNTER

Nasdaq national market, 3pm prices January 10

Stock	Div.	P/E	Sales 100s	High	Low	Last	Chng
WilanF		22	2	14⅛	14⅛	14⅛	
Windm s		11	610	19¼	18⅞	19¼	+ ⅛
Wolohn	.28	10	383	19⅝	19⅜	19½	− ⅛
WolwEx			122	7⅛	6⅞	6⅞	− ⅜
Worthg	.44	15	517	23¼	23	23⅛	
Wyman	.60	15	243	15¾	15⅛	15⅞	+ ⅛
		− X − Y − Z −					
XL Dta		19	545	u29½	28¼	29	+ ⅛
XOMA			1191	13½	13¼	13½	+ ⅛
X-Rite s	.08	13	14	9	8½	8½	− ½
Xicor		12	228	7⅝	7⅜	7⅜	− ¼
Xyvsn			48	4⅞	4⅝	4⅝	
YelowF	.70	20	511	32⅝	31⅞	32	− ⅜
ZionUt	1.44		28	21¾	20½	20½	− 1½

AMERICA

Dow dips after brief trek above 2,200 level

Wall Street

THE MAGIC 2,200 level on the Dow Jones Industrial Average proved to be a substantial obstacle to a further advance in the equity market yesterday, *writes Janet Bush in New York.*

At 2 pm, the Dow stood 7.14 lower at 2,192.32 on moderate volume of 95m shares. Within the first half hour of trading, the index managed a gain of more than 5 points, taking it to 2,204.64. However, the Dow then slipped back again, retreating from the 2,200 level.

Although there is little or no technical significance to the 2,200 mark, it has assumed substantial psychological importance as buyers have not been able to surmount the level in spite of repeated attempts at the end of last week and this week.

The 5.17 point gain on Monday was the fourth successive rise in the Dow to new post-crash closing highs, but each advance was more difficult than the last and the market's momentum appeared yesterday to have run out of steam.

Mr Newton Zinder, technical analyst at Shearson Lehman Hutton, noted that it was only a late rebound on Monday that had kept other market indices from ending in negative territory. That performance, he said, was rather disappointing because the equity market had enjoyed some positive background factors that day, including rising stock markets overseas, a strong dollar and stable to higher bonds.

These same factors were in place yesterday, too. Bonds were modestly higher, the dollar successfully withstood another reported bout of intervention, albeit modest, by the US Federal Reserve and the Nikkei index closed at another record high in Tokyo.

One of the factors preventing the stock market from advancing further above its post-crash highs is very firm short-term US interest rates. At the Treasury's auction of three-month bills on Monday, the average rate was 8.36 per cent, the highest level since March 1985. In addition, the Fed's money market operations this week have tended to suggest a new Fed Funds target range of between 9 per cent and 9¼ per cent.

While the Dow has recorded successive post-crash highs over the last few sessions, the other major indices have not done quite as well.

The much broader Standard & Poor's 500 index reached a peak of 280.98 on Monday, still below its post-crash high of 283.66 on October 21, 1988.

There were several substantial stock movements. Ogilvy Group added $1¼ in over-the-counter trading to $32, continuing a sharp rise this week on takeover speculation. The company declined to comment on these rumours. Centel added $⅞ to $53¾ although the company said there was no corporate news pending which might have boosted its shares.

Procter & Gamble jumped $1¼ to $88⅜ on speculation that it may be planning to boost its quarterly dividend. The board was meeting yesterday to discuss the dividend.

Timberland slumped $3⅜ to $11⅜ on the American Stock Exchange after the company said it expected earnings in the fourth quarter of about 24 cents a share, the same as a year ago. Previously, the company had predicted earnings of 36 cents a share.

Federal-Mogul dipped $⅜ to $50⅜, reversing some of its $1⅝ point rise on Monday, after the company announced that it was restructuring its operations, in part to fend off a possible hostile takeover from Nortek.

Canada

MODERATE trading left Toronto lower at midsession, as industrial and resource stocks eased following a decline in the nickel price in London. The composite index fell 1.5 to 3,445.2 on volume of 17.4m shares.

American Barrick, which expects sharply higher gold production at its Goldstrike mine in Nevada, gained C$1⅛ to C$21⅛.

ASIA PACIFIC

Defence issues lead Nikkei to another high

Tokyo

THE BUYING fervour in Japanese equities continued unabated yesterday, the second day of trading since the death of Emperor Hirohito, with the Nikkei average rising to record levels two days running, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei, which has climbed in 10 of the past 12 sessions, surged through the 31,000 level to 31,006.51, up 328.12 and the day's high. The index reached a low of 30,680.34.

Buying on a wide range led 622 issues higher against 308 issues that ended lower and 144 issues unchanged. Turnover at 1.63bn shares was even stronger than the 1.17bn traded on Monday. The Topix index of all listed shares also gained 25.94 to 2,427.75. The ISE/Nikkei 50 index in London passed the 2,000 stage, adding 2.65 to 2,000.41.

There was very little to dampen the tremendous energy that has surfaced in the market in the past two days. Yesterday not only began in buoyant mood, with New York up again overnight, but also saw the yen firm against the dollar during the day. After the strong rise on Monday, even financial firms that had kept a low profile for fear of inviting criticism lost their patience and stepped up their activity.

Foreigners are also increasing their buying as the feeling takes hold that Tokyo is the place to be, according to Mr Shigeo Akiba, head of sales at UBS Phillips and Drew.

Most analysts, however, felt it would be natural for the market to undergo a correction soon, given that the Nikkei average has risen about 800 points in two days. It was also felt the Ministry of Finance, which preached restraint at least for the week of national mourning, could step in to admonish those concerned.

Even so, for yesterday at least, the mood was decidedly optimistic. Defence was again the theme, with Mitsubishi Heavy Industries, the largest defence contractor, most actively traded at 100.6m shares. It rose to a high of Y1,130, up Y10, during the day but closed down Y10 at Y1,110.

Mitsubishi Electric was second in volume terms with 68.9m shares traded and added Y20 to Y1,100. It is the largest defence contractor among electric machinery makers and will undertake the development of radar systems for the planned FSX next generation support fighters. The company also expects better earnings with recurring profits expected to rise 98.5 per cent.

Trading companies were bought on expectations that better trade relations with communist countries would boost earnings. Two trading companies showed in the top 10 volumes list. Marubeni, which has considerable experience of business with the Soviet Union, advanced Y16 to Y875, while Mitsubishi Corp rose Y60 to Y1,480.

Sentiment in Osaka continued strong with investors selecting defence-related issues. The OSE average gained 314.67 to a record high for the fourth consecutive session of 28,940.27. Volume rose to 192m shares, up from 145m.

Roundup

VOLUMES and share prices remained buoyant in the leading Asia Pacific markets, helped by strength in New York, London and Tokyo.

AUSTRALIA saw the All Ordinaries index climb above 1,500 for the first time since November 25 on improved sentiment, switching from options and a shortage of scrip. The index closed up 12.5 at 1,501.8 in stronger turnover of 98m shares worth A$206m.

Industrials led the advance, with banks active again as ANZ rose 8 cents to A$5.42 on 2.95m shares and Westpac added 4 cents, also to A$5.42.

HONG KONG surged to a post-crash peak for the second day running on the back of Tokyo's strength as heavy buying offset broad selling. The Hang Seng index climbed 40.11 to 2,832.36 in turnover worth HK$1.71bn, similar to Monday's HK$1.74bn.

Properties and utilities were again the best performers, with Cheung Kong the most active stock, up 15 cents at HK$8.85.

EUROPE

Smaller bourses take up the pace

IT was a mixed bag in Europe yesterday, as Sweden, Norway, Belgium and Italy broke new barriers, while Germany and France continued to consolidate, *writes Our Markets Staff.*

STOCKHOLM greeted the day's budget news with another high, as foreign investors increased their buying in the belief that the market has further to go.

The Affärsvärlden index rose 8.4 to a record 1,031.2 and turnover climbed to SKr560m in response to rumours, and then the announcement, that the Government would scrap foreign currency regulations within the year.

The current restrictions have kept interest rates high, encouraging institutions to invest in bonds for their high yields. A liberalisation would allow foreigners to buy Swedish kroner bonds and T-bills, pushing prices up and yields down in the short term, said one salesman. Cash-rich Swedish institutions would probably then find equities, in which they are underinvested, an attractive proposition.

Volvo was strong also on rumours that it would increase its 1988 dividend by 40 per cent, with its free B shares adding SKr17 to SKr412.

OSLO breached the 500 level on the stock exchange index, adding 8.98 to a post-crash high of 501.46.

The immediate trigger was a fall in the central bank's overnight lending rate but bulls on the market say the improved outlook for oil prices, the scrapping of the share turnover tax and very low price earnings ratios have made it a good buy in Europe.

MILAN regained some of its upward momentum and the Comit index climbed past the 600 level to end up 1.35 at a post-crash peak of 600.37, but off the day's highs.

One analyst said the market appeared to be shrugging off the general strike threatened for January 31. Volume was estimated to be similar to Monday's modest L136bn.

Insurer Ras provided much of the spur, rising L190 to L44,800 and then hitting L44,900 after hours following news of its one-for-10 scrip issue and three-for-10 rights issue aimed at increasing its capital to L217bn from L155bn.

FRANKFURT fell sharply as investors used the excuse of interest rate jitters to take profits and a shortage of buyers exacerbated price movements. Volume remained modest at DM3.58bn and the FAZ shed 5.63 to 560.95 while the DAX index ended 20.64 lower at 1,345.91.

A belief that the Federal Reserve has tightened monetary policy in the US slightly revived worries about domestic interest rates and led to the correction from last week's strong gains. The steady dollar for once failed to help, and exporting stocks were among the day's losers.

Blue chips that had featured in that advance also led the downturn. Banks were unsettled by the rate worries. Cars and chemicals fell, while Siemens dropped DM11.50 to DM544 and Nixdorf shed DM7.50 to DM341.10.

PARIS suffered a number of blows which curtailed trading and reduced volumes considerably after recent strong sessions.

An administrative backlog after Monday's active session prevented the quotation of the 13 blue chips which underlie the options market. A union meeting representing dissatisfied stock exchange and brokers' employees, at which it was decided to strike next Monday, cut further into activity. Then there was bomb scare. Volume was estimated at about FFr1bn, after Monday's FFr3.2bn.

LVMH regained some ground on newspaper reports that chairman Mr Alain Chevalier had tendered his resignation. But only 66,400 LVMH shares changed hands – low by recent standards – and it ended up FFr134 at FFr3,840.

Building group Auxiliaire D'Entreprise dropped FFr106, or 9.6 per cent, to FFr995 after saying 1988 results would be lower than the previous year.

The CAC General index opened the session off 1.6 at 436.4 and the 50-share price indicator showed a drop of 0.44 per cent at the close.

AMSTERDAM started weaker, picked up and then came off again to end lower after Wall Street met further resistance at the 2,200 level. The CBS tendency index was off 0.7 at 159.0 and volume was estimated at Fl 450m.

Philips starred again with a 10-cent rise to Fl 36.40, particularly on London buying, on the grounds that its increase in 1988 sales reported on Monday was better than some expectations. Unilever fell Fl 1.20 to Fl 120.20 but picked up after hours to Fl 122 after confirming preliminary takeover talks with Fabergé of the US.

Nedlloyd was revived as a potential bid target before today's extraordinary general meeting by Holland America Lines and it rose Fl 4.50 to Fl 272. Property fund Rodamco added 20 cents to Fl 157.50 despite "white knight" share purchases by UK brokers BZW in its bid target Hammerson.

ZURICH finished weaker, though off the day's lows, as profit-taking set in. The Crédit Suisse index lost 3 to 533.9. Adia bearers fell another SFr100 to SFr8,800.

BRUSSELS had a busy session, buoyed by both domestic and foreign demand, and the cash index rose to an all-time high of 5,616.1, up 22.4. Petrofina rose BFr250 to BFr13,850 after forecasting higher 1988 earnings.

SOUTH AFRICA

GROWING optimism and a shortage of stock kept Johannesburg moving higher. Gold shares firmed as the bullion price rose slightly, with Vaal Reefs up R5.50 at R268.50.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY JANUARY 9 1989					FRIDAY JANUARY 6 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988/89 High	1988/89 Low	Year ago (approx)
Australia (90)	146.06	+0.9	122.79	112.59	4.77	144.77	120.58	111.84	152.31	91.16	98.25
Austria (18)	94.62	−0.6	79.55	89.62	2.75	95.22	79.31	89.58	100.00	83.72	94.54
Belgium (63)	131.76	−0.2	110.77	125.10	4.01	132.05	109.98	124.39	139.89	99.14	101.54
Canada (126)	128.53	+0.8	108.06	111.41	3.27	127.51	106.20	110.29	128.91	107.06	111.78
Denmark (39)	157.93	−0.6	132.77	151.60	2.00	158.95	132.39	151.39	161.60	111.42	114.38
Finland (26)	126.35	−0.8	106.22	112.35	1.55	127.34	106.06	112.72	139.83	106.78	111.00
France (131)	116.22	−1.1	97.71	113.58	2.84	117.51	97.87	114.05	117.51	72.77	83.17
West Germany (102)	88.01	−0.4	73.99	83.64	2.26	88.33	73.57	83.30	90.40	67.78	73.14
Hong Kong (46)	116.74	+1.1	98.14	117.03	4.22	115.49	96.20	115.78	116.74	84.90	91.80
Ireland (18)	127.19	−0.3	106.93	122.37	4.12	127.61	106.28	121.86	144.25	104.60	109.21
Italy (98)	84.22	−0.8	70.80	84.30	2.38	84.94	70.75	84.37	86.88	62.99	75.57
Japan (456)	192.92	+1.7	162.19	154.20	0.49	189.75	158.05	151.91	193.67	133.61	139.28
Malaysia (36)	147.21	+1.9	123.76	154.86	2.75	144.49	120.35	151.31	154.17	107.83	114.61
Mexico (13)	160.58	+0.5	135.00	401.88	1.27	159.84	133.13	399.23	182.24	90.07	96.30
Netherland (38)	111.85	−0.4	94.03	105.34	4.68	112.29	93.53	104.93	113.49	95.23	98.04
New Zealand (25)	68.93	+0.7	57.95	57.66	6.79	68.46	57.02	57.28	84.05	63.32	76.91
Norway (26)	147.93	+0.7	124.36	134.02	2.03	146.95	122.40	132.34	147.93	98.55	107.64
Singapore (26)	130.75	+3.5	109.92	117.04	2.28	126.31	105.21	112.92	135.89	97.99	99.23
South Africa (60)	115.35	−1.4	96.97	100.86	4.58	116.95	97.41	100.26	139.07	98.26	132.64
Spain (42)	146.37	+1.0	123.05	126.91	3.22	144.96	120.74	126.07	164.47	130.73	131.65
Sweden (35)	144.57	+1.4	121.54	133.87	2.14	142.55	118.74	131.32	144.97	96.92	98.49
Switzerland (57)	78.02	−0.2	65.59	75.31	2.25	78.16	65.10	74.99	86.75	74.13	79.23
United Kingdom (317)	134.70	+0.1	113.24	113.24	4.77	134.52	112.05	112.05	141.51	120.66	132.04
USA (572)	114.42	+0.1	96.19	114.42	3.64	114.29	95.19	114.29	115.55	99.19	100.85
Europe (1010)	114.21	−0.2	96.02	102.83	3.66	114.42	95.30	102.23	116.61	97.01	102.50
Nordic (126)	140.26	+0.4	117.92	126.62	2.02	139.71	116.37	125.35	–	–	–
Pacific Basin (679)	187.87	+1.6	157.94	150.85	0.70	184.84	153.96	148.64	188.43	130.81	135.83
Euro-Pacific (1689)	158.37	+1.1	133.14	131.82	1.57	156.65	130.48	130.24	159.28	120.36	122.54
North America (698)	115.17	+0.2	96.83	114.26	3.62	115.00	95.78	114.07	116.07	99.78	101.43
Europe Ex. UK (693)	101.17	−0.4	85.05	96.63	2.81	101.59	84.61	96.41	102.91	80.27	84.20
Pacific Ex. Japan (223)	127.51	+1.1	107.20	108.52	4.51	126.11	105.04	107.43	128.27	87.51	94.23
World Ex. US (1888)	156.91	+1.1	131.91	130.96	1.64	155.25	129.31	129.40	157.66	120.26	122.27
World Ex. UK (2143)	141.18	+0.8	118.69	126.65	2.00	140.00	116.60	125.57	141.18	111.77	112.20
World Ex. So. Af. (2400)	140.74	+0.8	118.32	125.52	2.23	139.63	116.30	124.43	140.74	113.26	113.84
World Ex. Japan (2004)	115.38	+0.1	97.00	110.13	3.68	115.31	96.04	109.73	115.54	100.00	101.84
The World Index (2460)	140.58	+0.8	118.19	125.36	2.24	139.49	116.18	124.27	140.58	113.37	113.96

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.62 (US $ Index), 114.42 (Pound Sterling) and 123.18 (Local).

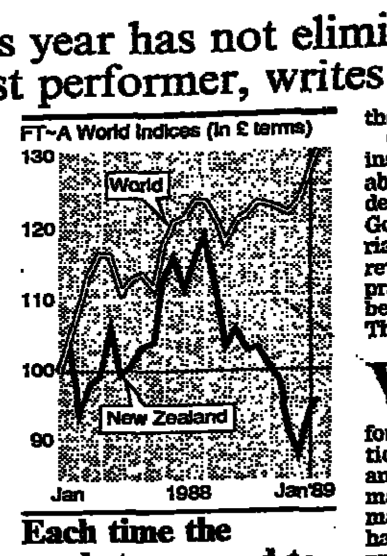
Latest prices were unavailable for this edition.

New zeal for Wellington conceals economic woes

A good start this year has not eliminated concern over 1988's worst performer, writes Dai Hayward

THE NEW Zealand stock market, last year's worst performer, has entered 1989 on a slightly more upbeat note.

Since the start of the year, it has registered a rise of 2.9 per cent in the Barclays index — compared with a drop last year of 5.6 per cent. Almost half of the current climb came yesterday, as strong performances in leading global stock markets pushed prices higher, although in light trading.



But it could be a blip. Investor confidence remains severely bruised and there is little indication it will return, at least in the short term, given considerable unease over the economy's performance.

Share prices have in fact moved mostly in a narrow range this year. Trading has been extremely light because of the extended holiday period and dealing has been confined almost entirely to blue chips.

When the closing bell rang on 1988, it sounded the end of a year of setbacks. More than 20 companies, including some blue chips, went into receivership. Small investors retreated. And six brokers consequently went out of business.

Each time the market appeared to be recovering from such confidence-sapping announcements another would occur, right up to Christmas. The Barclays index, which tracks the performance of the top 40 industrial stocks, ended 1988 at 1,639.94 compared with 1,949.63 at the start of last year. According to the FT-Actuaries World Indices, New Zealand was the worst performing market, losing 7 per cent in local currency terms.

There was one bright spot last year, during which the index struggled back to 2,085 in July. Overseas interest in bargain basement prices for many solid leading New Zealand stocks sparked demand. But this faded, and so did the market, which has since been unable to revitalise local investor confidence.

There are two main reasons for this and both continue into 1989. Negative post-crash sentiment continued to surface throughout last year, and each new disaster reminded investors of the vagaries and risks in share dealing, particularly the small investors who had been the backbone of the New Zealand market during its heyday in 1987.

Each time the market appeared to be recovering from confidence-sapping announcements, another occurred.

There were those companies which went into receivership last year, while many others were swallowed up after incurring multi-million dollar losses or debts from the crash. More than 70 previously listed companies disappeared from the stock exchange trading board in 1988.

New Zealand Forest Products, a favoured stock and leading company for many decades, became part of the Australian-based Elders Resources Group, and the loss of New Zealand ownership had a psychologically damaging effect.

In October, the high profile Judge Corporation, which, with its clutch of associated companies together lost more than NZ$1bn, was finally put into receivership. In the closing weeks of the year thousands of shareholders in RSL, a contributory mortgage finance company, were told they had lost their investments. Most were ordinary people investing their savings for retirement.

Ongoing revelations of insider trading and questionable inter-company deals also deterred small investors. The Government set up a ministerial committee in October to review stock market laws and practices and see how they can be tightened and protected. The report is due in March.

With small investors frightened away, the market has been forced to turn to large institutions, insurance companies and pension funds to maintain market activities. But fund managers and pension funds have been affected by new and proposed changes in tax laws covering superannuation contributions. Some, removing tax concessions on premiums, are already in force. Others have yet to be clarified. As a result superannuation and insurance companies are keeping their funds liquid and not putting them in the stock market.

To compound equities' problems, investment rates remain high. In December, government stock was recommended as a good buy by many brokers. Five-year government stock was offered at 14.7 per cent and is still available at between 13 and 14 per cent.

Unemployment stands at an all-time high. And consumers have not been mollified by a domestic inflation rate which has fallen dramatically from 18 per cent to 5 per cent over the past 18 months. A new year business survey showed most people plan to pay off their debts, avoid hire purchase and credit card commitments and try to save surplus funds.

Consumer spending figures verify this. Any savings or spare cash are going into bank or government-backed investments offering 11-13 per cent for two-year terms, leaving the stock market high and dry.

All this black news has left many New Zealand stocks undervalued — something which has not gone unnoticed by foreign investors. The best hope for a market recovery could come from overseas, in turn tempting back large New Zealand investors.

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